

JPRS-EER-90-098  
5 JULY 1990



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# ***JPRS Report***

## **East Europe**

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# East Europe

JPRS-EER-90-098

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5 July 1990

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## INTRABLOC AFFAIRS

### Open Letter to Iliescu From Tirgu Mures Hungarian Leader

90CH0246C Bucharest ROMANIAI MAGYAR SZO  
in Hungarian 14 Jun 90 p 3

[Open letter to Romanian President Ion Iliescu, Bucharest, by Elod Kincses: "Dateline Vienna"]

[Text] Dear Mr. President!

I, the undersigned Elod Kincses, a resident of Marosvasarhely [Tirgu Mures], No. 19 Ghiocelului (formerly Gyorgy Klapka) Street, request that you kindly investigate the situation in which I find myself because of a "local hostility" artificially incited by the Vatra Romaneasca.

I request that you cause the country's supreme state prosecutor to order the release from duty of the detectives charged with the investigation of the Marosvasarhely events and of my role in those events, and that the case be transferred [to another jurisdiction]. The Maros [Mures] County organization of the Democratic Association of Hungarians in Romania [RMDSZ] submitted a similar request more than six weeks ago by way of chairman Andras Suto. That request was supported by 60 attachments, but the supreme state prosecutor ruled the just and legitimate request out of order.

The attachments reveal that most policemen and prosecutors in Marosvasarhely are members of the Vatra, i.e. by law they should not have the authority to investigate events in which the Vatra Romaneasca directly participated. Consequently I request that the case be investigated by prosecutors delegated by the Office of the Supreme State Prosecutor, who are not members of the Vatra Romaneasca. I am calling your attention to the fact that Mr. Nicolae Cochinescu, representing the Office of the Supreme State Prosecutor in the government commission, did make a similar promise on 22 March 1990.

Trusting this promise, we did not insist on the designation of an international investigative committee.

It can be determined that in the course of investigating the events that took place in Marosvasarhely on 21 December 1989, when a volley fired by soldiers and militia men killed six people, and the murders of 20 March 1990 (also six dead) the provisions of the Criminal Code of Laws are not being observed. The situation is the same in the case of violent acts committed on the above-mentioned days and on 19 March 1990.

The persons responsible for issuing the orders to fire and to manhandle those who demonstrated against Ceausescu (Major General Cojocaru Ioan, chief of the local command, and Colonel Gambrea Gheorghe, commander of the county militia, presently commander of the police) were not held to account.

These persons are responsible for not separating the two camps of demonstrators appropriately on 20 March 1990, and for not preventing the attack by armed peasants against the peaceful populace of Marosvasarhely and Nagyernye [Ernei Mur].

It is well known that Colonel Gambrea Gheorghe received a precise order from Interior Minister General Chitac to properly separate the demonstrators and to prevent renewed forays by armed Romanian peasants transported from villages located at a distance of 60 km from Marosvasarhely. Since Colonel Gambrea did not implement the order, he is criminally responsible for the blood bath of 20 March 1990, nevertheless he has not even been relieved of his office!

Investigators directed by a boss like this conduct themselves as is revealed in the complaint filed by the RMDSZ. And Andreicut Gheorghe observed to the end the siege of the RMDSZ headquarters without intervening.

In my view the establishment of the government committee [should] result in essential legal consequences, specifically: The findings of the committee on the persons it examined as to their guilt or innocence have a mandatory effect insofar as criminal investigative organs are concerned.

Leadership of the government committee should be entrusted once again to Mr. Gelu Voican Voiculescu. He has been attacked illegally for his objective conduct by members of the Vatra.

Mr. Ion Manzatu, who became the ally of the Vatra Romaneasca in the elections, has also become incompatible pursuant to prevailing legal provisions, meaning that under no circumstances should he serve as chairman of the government committee.

The fact that persons who organized the 19 and 20 March Marosvasarhely terror attacks, or those who participated in these attacks and who did not prevent the repeated attacks, were not investigated and presented in court, is illegal and serves to further increase tensions.

It is known that at the very beginning the arrest of 17 persons was announced as a result of criminal acts committed on 19 March 1990.

In contrast, I, having done everything humanly possible to prevent bloodshed, am being slandered and attacked everywhere. I am being investigated, and they have even ordered my arrest!

I will remind you that as a captive of 200 Romanian demonstrators on 19 March 1990 while being coerced to resign, I most firmly objected to the idea of organizing a Hungarian counterdemonstration. In this regard I had the full support of the RMDSZ county leadership, headed by writer Andras Suto. The "payment" this famous writer received is also known to you.



Engineer Colonel Judea Ioan's response, in which he countered the lies of some leaders from Hodak published in the Marosvasarhely daily newspaper CUVINTUL LIBER, was not published by that newspaper, and thus the writing appeared in the Hungarian language NEPUJSAG.

Still on the same day (the 19th), I travelled to Szekelyudvarhely [Odorhei]. I had meetings scheduled there for the following day, Tuesday, 20 March 1990. At Szekelyudvarhely I also took part in three public rallies, I quieted down the populace of that municipality, because they were very upset about the grave harm done to Andras Suto and to the peaceful populace of Marosvasarhely.

The Maros County Provisional Unity Council informed me at 1400 hours by telephone that you and Karoly Kiraly were coming to Marosvasarhely and that you would also like to meet with me.

Even though I was not in Marosvasarhely at the time, they are spreading untrue information to the effect that I organized the 20 March 1990 demonstration.

When I returned to Marosvasarhely at 1600 hours I realized that you did not arrive, and then I told you over the telephone to come to our city where several tens of thousands of demonstrators awaited you. You replied by saying that you did not intend to travel to Marosvasarhely in such a tense situation.

Following this telephone conversation I had to address the demonstrators in both the Hungarian and Romanian languages. I asked them to remain calm, to restore the unity that characterized us in December. Everything I said was recorded on videotape, thus it can be ascertained at any time that neither at that time, nor at any other time did I make anti-Romanian statements and that I never engaged in the act of incitement. On the contrary!

Despite all of this, in its usual way the Vatra Romaneasca is misinterpreting my functioning and is selling a videotape which presents my words in "translation," entirely distorting them, as if I had been demanding the "reannexation of Transylvania."

I request that you recognize the fact that the statements made by the leadership of the Vatra Romaneasca about me are common lies!

The attached document contains my analysis of the judgment of the Maros County Court by which lady Smaranda Enache and I were deleted from the list of candidates for elections. In it I also contradict the distortions made by the Vatra. The reasoning supportive of the judgment amounts to none other than a repetition and sanctioning of the Vatra accusations.

Finally, I ask you to take appropriate action to prevent my being slandered innocently, my being convicted illegally (or "unknown persons" killing me). My family in Marosvasarhely is being held hostage by the county

police [dominated by] Vatra members: For the past two months they have refused to issue tourist passports to my wife and two daughters.

I trust that you, as the elected president of all citizens, will not tolerate the continued violation of laws in Marosvasarhely, where the victims of pogroms are harmed by investigators, are convicted innocently, while the real criminals are glorified and made popular as the "heroes of the nation."

This practice carries the seeds of renewed pogroms to be accompanied by grave consequences. Our homeland has no need of such pogroms!

I am personally convinced that the Marosvasarhely tragedy would not have ensued, had they taken action with the force of law against those who perpetrated the anti-Gypsy pogroms in February.

Respectfully,  
Elod Kincses

Vienna, 26 May 1990

#### Open Letter to Iliescu From Laszlo Tokes

90CH0247A Bucharest ROMANIAI MAGYAR SZO  
in Hungarian 20 Jun 90 p 1

["Telegram to His Excellency Mr. Ion Iliescu, Bucharest"]

[Text] Respected Mr. President!

As a bishop of our church and as the honorary chairman of the Democratic Association of Hungarians in Romania I am expressing concern relative to the condemnable events that took place in Bucharest. I do so on my own behalf, as well as on behalf of Hungarians and Reformed Church parishioners living in this country. All that has taken place in Bucharest during the past days hauntingly resembles the manipulated events and artificially developed situation in Marosvasarhely [Tirgu Mures] of last March. In the background of these events one finds diversionist forces which are difficult to identify. The method by which the miners were summoned to Bucharest, their inhuman acts which struck peaceful demonstrators and citizens, among them women and children, and targeted notable persons and opposition party headquarters may be identified as the same methods by which Maros [Mures] County peasants were incited, and by which violent action aimed against the Hungarian minority of Marosvasarhely took place. Viewed from another standpoint, the condemnation of opposition manifestations as acts and organizing work of fascism, vandalism, and hooliganism reminds us of manipulations used during the Ceausescu dictatorship.

I firmly condemn the proclamation issued for the purpose of "creating order," as a result of which thousands of miners arrived in the capital city. Our country has competent authorities who are charged with the function of maintaining order. Your impermissible proclamation

caused significant damage to the democratization process that had just barely begun and conjured up the real threat of civil war.

After a glorious revolutionary start I believe that we have entered a period of social relapse in which anti-democratic forces and manifestations are increasingly gaining strength, the true revolutionaries are being intimidated, disregarded, or pushed in the background, while the masses of people are being misled. It appears that gradually everything is returning to the old routine.

I am addressing you, Mr. President with disillusionment, and reminding you with a feeling of having been cheated, of your earlier statements and positions which promised democracy. I call on you to prevent violent actions which had their start in the forceful dissolution of peaceful demonstrations at Bucharest's University Square. Condemn the atrocities committed by the miners, and urge that the perpetrators of these atrocities be judged in a court of law. By supporting actual democratization you should endeavor to legitimize your revolutionary character and the position of the president which you acquired as a result of the elections.

Respectfully,  
Laszlo Tokes

Temesvar [Timisoara]—Nagyvarad [Oradea]  
15 June 1990

**RMDSZ Statement Denounces Violence,  
Lawlessness, Advocates Dialogue**

90CH0245C Bucharest ROMANIAN MAGYAR SZO  
in Hungarian 16 Jun 90 p 1

[Unattributed article: "Statement"]

[Text] On 13, 14, and 15 June of this year Romanian society was faced with a grave political crisis. Dramatic events took place in Bucharest: Several hundred people were wounded, people died, and significant damage was incurred. The number of arrests exceeds 1,000. The state power attacked and ravaged educational institutions and cultural establishments—the Romanian Television building, editorial offices—as well as private apartments and the headquarters of a number of political organizations. A large number of Bucharest residents were man-handled and their human dignity was violated.

We register our firm protest for the unwarranted arrest and harm done by civilians to the Democratic Association of Hungarians in Romania (RMDSZ) parliamentary representatives Messrs Zsolt Szilagyi and Laszlo Zsigmond on 14 June. The civilians who harmed and arrested these representatives exercised authority which in any civilized nation is the function of legitimate police forces.

We unequivocally renounce the violent action taken against the police headquarters of Csikszereda [Miercurea-Ciuc] by irresponsible persons. On the other hand,

we regret that the public was once again intentionally misinformed in regard to the reason for the condemnable events. Namely, at issue was not the fact that a Romanian language sign was exchanged for a Hungarian language sign, as the prime minister told the press conference. The issue pertained to the continued prevalence of a bilingual sign.

The RMDSZ condemns all violent manifestations and violations of law, and condemns the disregard of elementary human rights.

In our view, in the interest of the future of our society and democracy, as well as for the sake of our country's honor, the events must be analyzed as a whole. It is indispensable that such analysis be conducted with the most far-reaching objectivity, excluding any partiality in favor of the power or the opposition.

On the other hand, we may state that the series of crisis phenomena are not only the remnants of the former dictatorship, but are results of the following methodical and stylistic flaws of the government: the disregard for latent tensions, and the postponement of effective resolution of such tensions; the lack of clear-cut and consistent political positions in regard to fundamental societal issues such as the nationalities issue; the indulgent handling of extremist manifestations, and the lack of candid and constructive preparedness to negotiate with social forces; manipulation and mystification of domestic and international realities instead of open and accurate information, and the systematic misleading of the public. Tensions accumulate and become deeper under such circumstances in the country's social and political life, and society is unable to formulate a realistic image of phenomena and processes which determine its existence.

The road toward Romania becoming a constitutional state, one that is built on a civilian society, will be long and tiresome. This road will be passable only if we demolish the old structures to their foundations and replace them with a democratic system of social organization and a political governance in which the multitude of views enjoys respect, and in which the opposition within and outside of Parliament is regarded as the natural, creative part of public opinion.

The RMDSZ finds it necessary that the country extricate itself from its present crisis situation by way of consensual dialogue involving all social and political factors. It is our determined intent to creatively contribute to this effort, because in the present responsible, historic moment this is the sole democratic solution.

Presidium of the RMDSZ  
Bucharest, 16 June 1990

### **RMDSZ Statement on 'Tragic' Events in Bucharest**

90CH0245A Bucharest ROMANIAI MAGYAR SZO  
in Hungarian 16 Jun 90 p 1

[Text] Tragic events are taking place in Bucharest. The fact that the potential for violence is spreading to other parts of the country, to other localities, raises concern. Forces which thus far have acted in a manner that threatens the Democratic Association of Hungarians in Romania [RMDSZ], and is against the just demands of Hungarians in Romania, may use the tense situation for provocations.

We call upon the membership of our Association, on our young, on all Hungarians in Romania to manifest sobriety and self restraint. They should avoid taking steps that are not well considered, and they should not provide an opportunity to turn our truth, our legitimate efforts to enforce our minority rights against us.

In these difficult hours we reiterate the RMDSZ position which has prevailed at all times: We advocate rational action and tolerant dialogue. We condemn all kinds of violence, every step which retards democratic evolution, which aims at the disintegration of the country's unity. We do not surrender our rights, but we intend to enforce our rights by way of peaceful means exclusively, through dialogue, in due regard to domestic and international experience, while respecting the principles of a constitutional state.

Let unity and political maturity, which manifested itself when the Hungarians of Romania went to the ballot box on 20 May, let cultured conduct, as a result of which we achieved the recognition of a significant part of Romanian society and of world public opinion, give us strength in standing fast and sober.

Geza Domokos, chairman  
Geza Szocs, executive secretary  
Bucharest, 14 June 90

### **Commentary on 13-15 June Bucharest Events**

90CH0246B Bucharest ROMANIAI MAGYAR SZO  
in Hungarian 19 Jun 90 p 1

[Article by Tibor Kozma Kis: "What Do We Want?"]

[Text] There should be no misunderstanding: I do not wish to defend the ultras and anarchist elements that took part in the Bucharest disturbances (coup d'etat?) of 13 June. Using Endre Ady's words: I am neither a relative nor an acquaintance...of extremists. I could not be, because I am unable to identify with raw force either morally or physically: Witnessing the most "innocent" slap in the face produces deep disgust, almost an ill feeling in me. Precisely for this reason I was shocked and saddened to learn—at this time as an eyewitness—of the events of 14 June, the following day: the beatings that took place in broad daylight on the streets of a European capital. People were hurt, beaten, and in the name of

democracy. Because as we could see, our decent miners once again abandoned the black coal fields to hurry to Bucharest into the godless Gomorrah which threatened the tender democracy achieved in December. To do so with clubs, axes, rubber hoses, chains, and who knows what other weapons to cut and to beat with. I have no reason to doubt that a definitive majority of the miners arrived in the capital with good intentions, guided by pure purposes. But signs indicate that more than just a few wanted to respond to previous actions of violence based on the Biblical principle of the talion—an eye for an eye, a tooth for a tooth. One could see people bleeding from the beatings suffered throughout the city, and whoever spent a longer period of time at this ominous place, could see a live Gypsy hunt, meaning that people believed to be suspect were "softened" before they were handed to the police. I will be frank: I do not know whether these people had anything to do with the previous day's events. But I am convinced that the miners who acted as a police force did not know that either. A young man was beaten, then taken to the police station because they found sex periodicals on him, because he wore blue jeans and his hair was long. It is possible that in the course of continuous screening they also arrested some armed persons, but in an atmosphere glowing with hatred, with incited emotions, who could have stated with full responsibility that X was guilty, while Y was innocent? And in general, who has the right to dole out justice to people on the street? Because beatings may easily turn into lynchings, meaning that they may degenerate into spontaneous and instantly executed judgments, even though everyone knows that the administration of justice is the monopoly of courts.

These days there can be no question that is more timely to ask: In what kind of country do miners have to restore order? Are the police and the military so incapable of acting? At last we should make a decision: After 40 years of communist dictatorship do we want a constitutional state or something else?

### **MISZSZ Statement Deplores Tragic 13-15 June Events**

90CH0246A Bucharest ROMANIAI MAGYAR SZO  
in Hungarian 19 Jun 90 p 1

["Position Statement Concerning the 13-15 June Events"]

[Text] In the aftermath of the revolution that began in December 1989, accumulated tensions have already lead several times to violent and tragic events. The latest events of this kind occurred between 13 and 15 June.

The script for these events has a single common feature: the development of an enemy image and the injection of that image into public consciousness by way of mass communication media controlled by those in power, followed by the punishment of the "enemy" by "the just

anger of people," setting aside any legality and manifesting indulgence for arbitrary rule. Invariably, the "enemy" is one or another minority, political or national.

We condemn all force, because force can only create force.

We condemn the violent actions that took place on 13 June:

—Demonstrators arrested in the early hours of the morning were beaten by police with blackjacks, even at the doors of vehicles in which these persons were to be taken away, as we witnessed these events on the television screen.

—[We condemn] the persons who attacked the Romanian Television, Police Headquarters, and Interior Ministry buildings, and the organizers of these actions.

The events of 14 and 15 June filled our hearts with horror. The center of Bucharest and the neighboring streets were flooded with miners arriving in cars. They were equipped with wooden clubs, rubber hoses, hammers, and axes. They beat hundreds of persons, including women; several persons disappeared or were hospitalized. They conducted a manhunt against the intelligentsia and against several opposition personalities, and ravaged and plundered the headquarters of two opposition parties and several rooms of the University of Bucharest.

All of this took place with the agreement of the government and in the plain view of the police.

In the situation that thus evolved, we advise sober conduct by all, and request that while remembering those who started the December revolution without violence, people abstain from extremist and violent action.

National Council of MISZSZ [expansion unknown]  
Maramarosszige [Tirgu Mures] 17 June 1990

### **Disturbances in Transylvanian Town Described**

90CH0245B Bucharest ROMANIAI MAGYAR SZO  
in Hungarian 16 Jun 90 p 1

[Article by Istvan Olah: "Csikszereda: Lessons To Be Learned From Broken Windows"]

[Text] There was not really time to get used to the bilingual sign on the wall of the Csikszereda [Miercurea-Ciuc] police station before officialdom changed it again. But the standing unilingual sign did not flourish too long as a peculiar democratic example of nationalities language use patented in this country; discontent was on the increase.

Without doubt, this was one of the main reasons for the 13 June disturbances in Csikszereda. And the event that

provided the spark: On the same morning the police (teeming out under the unilingual sign) raided the marketplace. In the name of some ethical considerations and fairness, the nature of which I do not even know, they wanted to teach good behavior to those who were trading things, to farmers, and to the people who were selling foreign cigarettes and other shortage goods. (Familiar expressions?) The market changed into the scene of a regular Blitzkrieg; it ended as fast as it began. The standard customers at the market broke the Black Maria's windows, and not too long thereafter a full and active duty colonel surrounded by a steel helmeted patrol tried to relax emotions in vain by saying: Good people, these Gypsies were trading to benefit their own pockets! In response to this the shopping citizen had only this much to say to the officer: As soon as there are coffee, dungerees, toiletries, and shoes in the state stores—shoes one is able to wear, the soles of which do not break off a day later—it will not even occur to them to shop at the black market. But until then...

Actually, the black market is not really a black market, because retail imports are permitted to be sold at designated places in every other city of the country. But let us not spend time with superficial causes, because the emotions did not heighten as a result of the raid that went bankrupt. Whoever gathered in front of the police station toward the evening had only one topic to discuss: the bilingual sign that had been gotten rid of. The crowd just stood there—it seemed like a thousand people, and no one knew what was going to happen. They negotiated, argued, and commented on news from Bucharest, but only after dark. And then, a few minutes before 2230 they began throwing stones at the windows of the city police building. The fact that in the meantime the bilingual sign was restored made no difference by then. Children between the ages of 12 and 14 were enthused about hitting targets. Opinions differed: There were some who applauded every hit (and some two dozen intoxicated fellow citizens congratulated the stone throwers aloud); the majority looked on to see what would happen. Many disapproved of stone throwing because "they will once again blow this matter out of proportion, and we will be the black sheep in the country," and "they will pay for the broken windows with our money."

Archdeacon Gabor Borbely tried to address the crowd in vain. So did Janos Vorzsak, chairman of the local Democratic Association of Hungarians in Romania [RMDSZ]. Then, after midnight, light armored vehicles appeared. They surrounded the building and were there even on the following morning. There was no real reason for their stay, because it appears that there was no timely purpose for the gathering other than breaking windows. And it had no planned purpose at all, because the gathering itself had no antecedents.

This case teaches lessons from several points of view. At this time we will state only the most important lesson to be learned: Even an inaccurate sign with insufficient wording may let loose uncontrollable passions. Did not a



sign on a pharmacy play a role in the first chapter of the tragic Marosvasarhely [Tirgu Mures] events? The reality or pseudoreality, perhaps the demagoguery of democracy will fully manifest itself even in relation to such visible signs, and this lesson is worth considering.

## CZECHOSLOVAKIA

### Sudeten Germans Seek Rapprochement With Czechoslovakia

90CH0208A Munich SUEDEDEUTSCHE ZEITUNG  
in German 5 Jun 90 pp 13-14

[Article by Martin Rehm: "Wish for Partnership—Declaration of Loyalty to Homeland"]

[Text] After the political turnaround in the neighboring country of Czechoslovakia, Sudeten Germans look optimistically to the future. At the main rally on Sunday of the two-day, 41st Sudeten German Day under the motto "Shaping the Future Together," the wish for complete reconciliation with the CSFR and cooperative partnership was emphatically affirmed, but simultaneously the claim to the right to a homeland and self-determination was again avowed, also. It is not considered impossible that already the next Sudeten German Day 1991 will take place in a town in the old homeland.

The changeable Whitsuntide weather with rain showers had no negative effect on attendance. All in all, far more than 100,000 visitors assembled on the fairgrounds. The number of visitors who were not born in the old homeland has increased noticeably. For the first time, several thousand Sudeten Germans from the GDR also participated in the meeting. From Bohemia and Moravia came a delegation with 60 members of the newly founded, noncommunist "Association of Germans in the CSFR." Particularly noted and welcomed was the participation of Bonn's CSFR ambassador Milan Kadnar. Climax and highlight of the Sudeten German Day was the rally on the fairgrounds, on the large square between the Congress Hall and pavilions 5 and 7. Most of the more than 30,000 people attending had brought umbrellas as a precaution.

Instead of a map of the former Sudeten German settlement areas, the large wall behind the speakers' podium showed only the motto of the meeting, the insignia of the Association of Sudeten Germans (SL), and the coat of arms of five home towns: Eger, Krummau, Aussig, Reichenberg, Troppau, and Znam. Minister President Max Streibl, sponsor of the Sudeten Germans, took his place on the podium between social minister Gebhard Glueck and the SL spokesman, retired state minister Franz Neubauer. Among others, also seated on the podium were Federal Minister Hans Klein and East Berlin State Secretary Horst Schulz, a Sudeten German like Klein.

The SL deputy federal chairman, CSU member of parliament Fritz Wittmann, greeted among the guests Hungarian Ambassador Istvan Horvath (on the previous day; he had participated in the awarding of the SL prize, the European Karl prize, to the Hungarian people), former Minister President Alfons Goppel, European Parliamentarians Otto von Habsburg and Fritz Pirkle, Suffragan Bishop Gerhard Pischl, former SL spokesman Walter Becher, and the chairman of the board of the Messegesellschaft [fair corporation], Werner Marzin.

Wittmann expressed the hope that "one day, we will meet just as peacefully in the old homeland as we are meeting here today." The traditional entrance of folkloric and flag groups of the Sudeten German Youth, and of SL groups from all over the FRG and abroad, was greeted with great applause. A large delegation had come from Austria. Participants of the SL group from New York wore sashes in the black-red-black colors of the SL.

After the honoring of the dead, which was musically accompanied by the song of the "Good Comrade," a tape was played of the ringing of the bells at the parish church of Iglau in the Sudetenland.

The first speaker, Klaus Geissler, chairman of the Sudeten German Youth, renewed his proposal to found a German-Czech-Slovak youth association. "The radical change in our homeland gives particularly the younger generation the possibility of an encounter, getting to know one another, an exchange of opinion, building up permanent relations." The consequence of recognition of the right to a homeland is "that everyone whose homeland the Sudetenland had been or whose homeland it has become, is to find his home there." But there must be no new expulsions.

Federal minister Klein, who brought greetings from chancellor Helmut Kohl, spoke of "the probably most unusual Sudeten German Day" in view of the prize awarded to the Hungarian people and the CSFR ambassador's attendance at the opening meeting. "Today doors are opening to a future of peace, understanding and cooperation." Those who had called the Sudeten Germans revanchists during the past decades now have to hide "in the farthest corner."

Subsequently, Streibl stated verbatim: "Before us lies a new vision of a free and peaceful Europe, founded on the principles of federalism, subsidiariness, and solidarity." In such a Europe, where borders lose their divisive role, "the right to a homeland, the right of ethnic groups to preservation of [their] language and cultural traditions can be implemented in a new way." This holds true for all minorities, and also naturally for Germans, Czechs, and Slovaks living side by side in the Bohemian-Moravian area.

In such a European order of freedom, a right to free settlement such as already applies to EC citizens would open up the possibility of return to their old homeland for all those "who long for it and are willing to live in it as loyal citizens." That cannot mean in any way "that



injustice suffered in the past is answered by new injustice." "After reconciliation with the West, one would also like to reach good accommodation with the neighboring Eastern countries."

With his statement: "The expulsion of the Germans was not a punishment, it was revenge," CSFR president Vaclav Havel made a decisive contribution to reconciliation between Germany and the CSFR. Now the concern must be to make the historical truth also manifest in the hearts of men. "Only in this manner will true reconciliation be brought to the people. Assimilation of the historic facts by the German-Czechoslovak commission of historians, which will take up its work on 15 June, must not bypass Sudeten Germans. We shall take care of that."

SL speaker Neubauer also stressed that Havel had gained the respect of Sudeten Germans with his declarations. This has established the basis for reconciliation, offered from the beginning, and a just balancing between Sudeten Germans and Czechs. "Naturally, the relationship between Czechs and Sudeten Germans cannot remain solely that of an expression of regret; rather, a comprehensive and lasting deepening of mutual trust is now needed as a precondition for an agreed-upon solution of the pending issues." The EC must be open to the states of the former East Bloc who wish to join. As proposed by Streibl, the aimed-for Europe should be a federated Europe of regions, peoples and ethnic groups.

Neubauer advocated that the CSFR "distance itself from the expulsion decrees of Mr. Benes." In a Europe of free movement and freedom of settlement, state borders would lose their divisive character and "approximately assume the functions of administrative borders."

## GERMAN DEMOCRATIC REPUBLIC

### Leipzig Politicians, Restructuring Examined

#### Early Reformers Feel Left Out

90GE0147A Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 30 May 90 p 7

[Article by Bernhard Heimrich: "Leipzig Citizens Feel Forgotten in Assessment of the Change"]

[Text] Michael Arnold is the right age for a revolutionary, but has the wrong profession: He is 26 and studies dentistry in Leipzig, which in the GDR is still called stomatology. His mother was party secretary in Dresden; he is one of the thirty people who, on 9 September 1989, founded the "New Forum" in Katja Havemann's garden near Berlin. But today not much is heard of Arnold, because these are examination days for the students, and the revolution is quite over. One of its last dates is upcoming: the honorable election of superintendent Magirius as chairman of the Leipzig city council. Magirius is one of the spiritual moderators of the turnaround time in the GDR. He directed the work

of the first "Round Table" in Leipzig, that "grass-roots council assembly" which bridged the power vacuum. For his role in the movement, of which the Nikolai church in his Leipzig parish had been the basic unit, he even received the Gustav-Heinemann citizens' award in Frankfurt.

Not only satisfaction is derived locally by such recognition. Among those who view it almost wrathfully are Arnold and also others who are more and more surrounded by silence. Leipzig groups with the motto "Peace and Human Rights Initiative" even had expressed their anger in a letter to the Heinemann foundation: "We see ourselves forced to assume that in your selection you were guided by untrue press reports about, and self-descriptions by, Superintendent Magirius." A young clergyman, who also participated from the beginning in the Leipzig 'Storm and Stress', summarizes these opinions philosophically: "Now we ourselves experience the difference between history and the writing of history."

It would be unfair to attribute the cause for such bitterness to a certain person or a separate example. It is just as much the expression of a general feeling in the grass-roots groups: That "the revolution," unbridled by the self-liberation of the spirit, has become a mathematical exercise in Deutsche marks, and that the young instigators of resistance, which a short time ago still had been the highest virtue, already see themselves again classified as a political risk group even in this new environment.

The Monday night peace prayers in Nikolai church have been taking place since the early 1980's. A number of groups grew up around them, and the church became their protected stage. In 1987 there were about five groups, a year later, 17. In summer 1988 occurred that crisis between these groups and the church landlord which in retrospect still evokes bitterness. That was when—and why—the Monday night at St. Nikolai became more and more a demonstration for the concerns of those "willing to emigrate." This border subject above all pushed the confrontation between the SED [Socialist Unity Party of Germany] power and the church to the point of crisis and subsequently drove the church to a decision between its options as protectress, and commitment to those who operate under its protection. At that time the church suspended the peace prayers entirely, from 27 June to 29 August, and subsequently removed them from the groups' direction. From then on, one hour before the start of the church service the texts had to be submitted to the superintendent's office, where Magirius and a representative of the Land church management from Dresden examined them.

The open clash with the SED was averted, but the collision with the groups came right after the summer break. Arnold describes the climax graphically: "Magirius had forbidden us to speak. After the peace prayer, one of us nonetheless tries to get to the microphone. Magirius turns off the microphone and makes a sign to

the organist to start playing. One of us goes up to the gallery and forces the organist to turn off the organ. And don't forget in all this: the church is surrounded by the Stasi." State security is always invisibly in the picture. Today one can only try to imagine under what tensions one was forced to "live" in the church. The letter by the St. Nikolai church council of 9 June 1988, which decreed the summer break, only states tersely: "The church council recommends that the several opinions received by us, expressing dissatisfaction with the present state of the peace prayers, be studied seriously and that further thoughts be given to them." Signature: Pastor Fuehrer.

On 15 August, Magirius informs the groups of the result of these thoughts: "Dear friends! After the summer break, the parish of St. Nikolai church will itself assume the implementation and announcing of peace prayers. Most of those attending these meetings are not interested in, and committed to, the issues of 'Peace—Justice—Preservation of the Creation' in the sense of a conciliatory process, but rather expect from the church that it champion their problems. Although we can give little concrete help, we want to make an effort so that those who have applied for release from their citizenship are not pushed to the sidelines. But basically we can help the individual only through the good tidings of the liberating Gospel entrusted to us, which has validity in every order of society. Some groups have no longer participated in shaping the peace prayers since the situation has changed, others seem to be burdened by the task."

Among the reactions by "some groups," the most bitter is a long letter to Land Bishop Hempel, written on 5 September. It states: "By his way of dealing with this matter, and on several other occasions in recent times, Superintendent Magirius has lost our respect for him as a church leader, our trust in his spiritual competence, and our faith in his moral integrity...We must ask ourselves time and again whether this way of proceeding really corresponds to Christian motivation, or whether Superintendent Magirius represents other interests." The conflicts continued to fester after this climax. A Leipzig circular letter of March 1989 shows that the fronts have not changed decisively. The paper, issued in 50 mimeographed copies, without address or signature and written "for internal church use only," begins: "In recent times, individuals and also groups are seeking 'the umbrella of the church' without truly belonging to it or identifying themselves with the church and its primary task...."

Meanwhile things have progressed as another year passed. Magirius has definitively taken a half-step into politics and was elected to the city parliament as the only independent candidate; the name 'Magirius' alone attracted 5,639 votes. But also elected was Jochen Laessig of "New Forum," who had been one of the signers of the letter to the bishop, with 3,024 votes. But now at least the church no longer has to suffer the dispute over who of the two was proven correct by history, or at least who might be proven correct by historians.

### Mayor, City Council Profiled

90GE0147B Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 28 May 90 p 16

[Article by Bernhard Heimrich: "Advent of Democracy—Leipzig Expecting a 'Noncoalition' Under an Immigrant From Hannover"]

[Text] More leisurely than in other GDR cities, democracy this week also enters Leipzig city hall. First the assembly of the city council will constitute itself and elect Superintendent Magirius as its chairman; a week later, Hinrich Lehmann-Grube is to become the new mayor. With this, the circle from great history to daily life also closes in that city where "the people" had given the first signals. But even in transition, Leipzig remains unmistakably different. The first session of the city parliament will be opened with a service in St. Nikolai church; this ties in with the origin of the people's movement, the Monday night peace prayers during the 1980's. This local heritage is confronted like a well-composed counterpoint by the person of the new master: Lehmann-Grube is an immigrant from Hannover.

This arrangement characterizes the starting position of many GDR communities at the beginning of their new road. Even in this city, where the impulses for the turnaround caught fire the earliest and brightest, the image of local politicians and their hastily turned-around apparatus raised so little hope for a renewal that the citizens preferred to vote for a stranger. Chief city administrator Lehmann-Grube adopted GDR citizenship only at the beginning of the election campaign. Thus Leipzig also became the only city in the south of the GDR to be governed by an SPD [Social Democratic Party of Germany] man. Probably this Leipzig SPD is also the only one whose bezirk chairman pinned a photograph of Helmut Kohl to the inside of his office door, albeit surrounded somewhat diffusely by words of Friedrich Schiller: "The eye sees heaven open, the heart revels in bliss." But then, Nikolaus Voss is an unusual bezirk chairman: a young theologian just graduated from his studies. However, the federal chancellor greets his Leipzig SPD only in concealment, since Voss' door today is mostly wide open.

For this office, also, this week ends an era. That is the dirtier part of the history of this transition. Unlike the CDU [Christian Democratic Union] and other former bloc parties which have an inherited domicile, the SPD works together with other new parties in a "house of democracy." Until ousted from power, the SED city administration had ruled there. It became the address for a whole number of democratic and grass-roots democratic groups which, not least of all, owe their heyday or apparent heyday to the fact that the round table granted them the house free of rent for an initial period. This time limit has lapsed; on 1 June, the SED or PDS [Party of Democratic Socialism] wants its house back, or better yet: wants to rent it for 50 marks per square meter. But

it is also willing to sell the property for 3.5 million marks. Its purchase price was 450,000 marks.

Of course, the house does not even belong to the SED or PDS, but to a real estate company with limited liability, "Fundamente," in East Berlin. This company administers an impressive collection of real estate and "has nothing at all to do with the party," as probably any SED attorney could smilingly affirm. Only for the Leipzig dispute has the company transferred its rights to the Leipzig PDS. This example demonstrates how difficult it is to disentangle the property of the supercapitalist SED/PDS. So that this disentanglement does not get submerged in the recesses of file folders, and so that the PDS does not become even richer, the users of the "house of democracy" decided to go on a rent strike and occupy the house illegally if necessary. "We are supposed to pay rent to the SED—that is probably the most gruesome point of this revolution," says an early activist. The SPD is joining them, although it could be housed much better elsewhere: in their old headquarters on Rosa-Luxemburg Street. But that, too, belongs to the SED or PDS.

The Leipzig SPD is not particularly large: it has between 1,200 and 1,500 members. Today it no longer lacks copying machines, but rather the people who should now assume rule from the old regime. An extensive membership drive is to begin in the summer. The development of membership numbers also reflects the small curves within the large turnaround. When the wall was still standing, a core troop of ten young social democrats conspiratorially had issued invitations to the founding assembly in Leipzig's Reformed Church. The church was filled to the last seat, 150 visitors signed up in the list from the very beginning. The number grew continually until February; when the other parties also started to newly establish themselves, it stood still. In Leipzig, however, this stagnation was also a sign of reliability because, not as in other bezirks, there was no wave of resignations from the party after the disappointment of the elections to the People's Chamber. The curve is again rising since the success in municipal elections.

The SPD cannot govern alone with 45 out of 128 seats. Yet there have been no coalition negotiations and, as agreed on to this day, no coalition agreement is contemplated. SPD, CDU (34 seats) and "Alliance 90" (10) have agreed to jointly propose the SPD candidate; the deputy will be former CDU rival Ahnert. The official reading is that the tasks are so enormous that in the initial stretch all parties are agreed on the focal points, and a special coalition paper appears superfluous. But one must add that the Leipzig noncoalition probably would not have come to pass quite so quickly had there been a debate about the small print in an agreement. In "Alliance 90" in particular, three groups are united which will probably contribute cumbersome political packages: "New Forum," "Democracy Now," and "Initiative for Peace and Human Rights."

In the "heroic city" this constellation is of symbolic importance which means more than the number of its 10 mandates. The decision to seek a loose connection with this "Alliance 90" rather than a closer one with, for instance, the "Free Democrats" who had also been approached initially, is thus above all a "show of reverence" to the organizers of the historic Monday demonstrations. It is a gesture worthy of respect, but it is not yet clear whether it can also be maintained as a program. Because one of the consequences is that the CDU had to forego its ties to its sister party, the DSU [German Social Union] (six seats); "Alliance 90" has nothing in common with the DSU. On the other hand the Greens, to whom parts of the SPD feel kinship (five seats), are not in the game. And since there is no real coalition, there will also be no real coalition discipline. Thus the new mayor can consider the title of a program, which a Leipzig [political] cabaret had already put in its repertory before the municipal elections were even decided, as also aimed at him: "Caution, Grube!" [Play on words: "Grube" means pit.]

#### Minister Diestel Critiqued

90GE0147C Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 31 May 90 p 3

[Article by Bernhard Heimrich: "The Leipzig Citizens' Committee Doesn't Trust the Minister of Internal Affairs: Where Do the Stasi Files Go?"]

[Text] In the old canteen of State Security in Leipzig there is roast pork for five marks 80 pfennigs, and for all who come. The Stasi dining room today is a public self-service restaurant, even beer from the West is served. The Leipzig Stasi fortress was one of the largest in the GDR. The center of the so-called round corner like the Moscow Lublyanka, had formerly been an insurance company. Together with the new buildings, it is today an almost enclosed city quarter by itself, the "block of the thousand eyes." The major entrances lead to the new tenants: the restaurant, the labor office, a private radio communications company with the advertisement sign "Piep," and lastly, the Peoples' Police. Only through a side gate behind three corners and as many controls can one still get into the bowels of the slain Stasi monster. A winding, dark and windowless corridor passes barred armored doors and finally ends in the temporary office of the conquerors: a work team of the Citizens' Committee which has been busy since December with securing and screening of Stasi files.

Their way through the files is no less dark and winding. But meanwhile one knows at least how long it is: four kilometers. Two kilometers of files have already been sorted hastily, two more kilometers have still to be screened. It is surmised that the old team in this Mielke fortress managed to remove three more kilometers before the citizens came on 4 December: either into the shredder, or to the Soviet Army at Karlshorst, or, still at that time, to Romania. These links in the chain of crime and punishment will be missing forever. And today the



citizens' representatives believe that the new government is about to take the rest away from them, also. Pastor Muehlmann, a Leipzig parish clergyman and one of the church representatives on the committee, is sitting at that conference table in the conference room where, only six months ago, files were compiled on him and where the state terror over the entire Leipzig bezirk was organized, and says: "Do you over there even know what is happening here today? They want to cheat us out of our revolution, that is what is happening!"

What is meant is the decision by the Council of Ministers of 16 May which provides that all over the country, the files of State Security are to be handed over either to the local branches of the state archive or to the East Berlin Ministry of the Interior.

Not a word has to be said about the reputation of the Interior Ministry with its core staff. But the state archive, also, has suppressed information for 40 years and falsified history, and the old masters are still employed there. Furthermore, the state archive is also subordinated to the Interior Ministry. Minister of the Interior Diestel is from Leipzig, but these days he has become to other Leipzigers more and more of an enigma and an offense. A marriage advertisement in a Leipzig weekly paper starts out: "He doesn't have to be as handsome as Diestel, but [he must be] more intelligent." A pamphlet of recent days spells it out more clearly: "It is enough, Mr Diestel! No to the old Stasi! Diestel, protector of Stasi people, must resign!"

New Forum has caused a veritable popular alarm with a public declaration: "Coming to grips politically and legally with the criminal activity of the former Stasi is being prevented by the decision of the Council of Ministers and by the order of the state attorney general to drop all preliminary investigations." The same accusation was lodged by the round table in its last session with East Berlin: "Then all the work of the Citizens' Committee would have been in vain, again only a small circle would have power of disposal over the incriminating and exonerating files." The Round Table was the interim government between the time of the SED's fall from power and the assumption of office by the new city administration.

In Nikolai church, the site of the peace prayers, hangs an appeal to the People's Chamber to finally declare Stasi a criminal organization. There was even a small Monday demonstration against the government's Stasi policy. Although [the demonstration] at the historic Demo Square in front of the opera concerned above all Minister Diestel, the name of de Maiziere was mentioned for the first time in this context.

This is at the center of demands by citizens' groups: The mass of files should be divided up, decentralized, and turned over to various independent documentation centers. They should not be returned in toto to the power of those "experts" who themselves had collected them once upon a time. "This material belongs in the hands of

jurists, and perhaps later in those of historians, and not in the vaults of the next secret service!" The power to use incriminating material would be just as tempting as the possibility of withholding exonerating material. Because then, according to Leipzig pastor Turek, everything could start all over again. The main accusation against Diestel is that he is either unable or unwilling to rid his ministry of the old power manipulators. The suspicion that maybe he himself is "one of those" is all too demeaning, and very few are concerned with that at present. A very different suspicion can be felt much more clearly: With the help of the old guard, the minister in his haste is trying to prepare for a task for which he sees no other forces available—the drama of economic restructuring, the street battles of tomorrow.

The people of Leipzig still feel their Stasi past, it is like a stubborn phantom pain after an operation. When a dot showed up under some letters of the new identification cards, there was an uproar the likes of which had not been seen in a long time. An expert for writing equipment had to demonstrate publicly that the dot was not a secret coding, but only a byproduct of the ancient typewriter [used] by the People's Police. A newly founded cabaret gave itself a strikingly topical name: "The Snoops." The feeling that the snoops are "still among us" is an almost immovable certainty; after all, not all 9,000 former agents in the city can have departed because of an advertisement in a Leipzig newspaper that an FRG enterprise of the security sector was looking for "absolutely reliable coworkers," guaranteeing also absolute discretion. And lastly, that very state attorney general who has now ordered an end to all investigations is the former SED attorney general. The Citizens' Committee above all senses growing, silent resistance, forms of obstruction which are almost inexplicable, including threatening phone calls at home. It therefore has turned to all democratic parties with a proclamation for help, which is already a call for help: "We cannot rid ourselves of the impression that mistrust and dislike of our work is being deliberately fostered by [those] others, the destruction of whose work units and structures is the intention of the Citizens' Committee."

Similar complaints also come from other localities. But the Leipzig case contains a special unknown quantity. Here is the only former Stasi bezirk center where documents of foreign spying are also stored. One of the guards of these dangerous treasures muses out loud: "What one could probably find there!" Perhaps the names of FRG members of parliament who were directed from Leipzig and are now taken over by the KGB? For this reason, the guards feel themselves even more watched and surrounded by other, invisible guards; they are even less at home in that world. A small advertisement in NEUES DEUTSCHLAND, which is pinned to the door of the Citizens' Committee in the Stasi house as the "advertisement of the year," unexpectedly takes on a specially piquant significance: "Large shredder in a truck. Removal of shredded material guaranteed. Cheap." This offer also comes from a West German firm.

## HUNGARY

### Local Election Method Described

250007391 Budapest NEPSZABADSAG in Hungarian  
2 Jun 90 p 5

[MTI [Hungarian Telegraph Agency] report: "Poster War Will Be Restricted—23 September: Another Request To Vote?"]

[Text] The Elections Office of the Ministry of the Interior prepared a legislative proposal governing the election of members of autonomous governmental bodies and mayors.

Zoltan Toth, the head of the office, said that in establishing the election system they took into consideration the political fragmentation of the country; thus, for example, the fact that 2,300 settlements have less than 2,000 inhabitants, and that in a majority of the villages only a few parties have independent organizations. For this reason they are planning to hold free, so-called small slate elections. The essence of this is that the names of all candidates will be printed on the ballot, and voters will be able to vote for as many of these, as many members as the representative body may have.

In municipalities with more than 2,000 inhabitants, and in cities with fewer than 100,000 residents, members of the representative bodies will be elected in individual voting districts, in a manner similar to the National Assembly elections. They will establish as many voting districts in each settlement as the number of members the representative body may have. In cities with more than 100,000 inhabitants and in the Budapest districts plans call for the election of two-thirds of the representatives from individual voting districts, and one-third in a second evaluation of the votes, from slates. This system is called the election system which evaluates one vote twice. Its essence: The voter casts his vote for the candidate in the individual voting district. One does not have to cast votes for slates run by social organizations and parties, but the votes cast for candidates supported by social organizations will also be tallied separately, and the parties may receive their share of one-third of the mandates in proportion to these votes cast. Quite naturally, a different election system would be conceivable in large cities—slate voting, for example—in which independent candidates could run. Toth stressed that the plan places great emphasis on the protection of nationality and minority rights.

According to the legislative proposal, the populace would also directly elect the mayors. This method of election conveys the sense that the mayor is the first man of a settlement empowered with broad authority, who received his mandate directly from the voting citizens, and therefore is responsible primarily to the voting citizens. There is an opportunity for recall if subsequently the people's confidence in the mayor is shaken. A recall initiative, however, requires the signatures of

one-third of the voters in a given settlement. And in order to effect recall, two-thirds of the valid votes cast is required.

The nominating system is entirely different from the one used in the framework of the election of National Assembly representatives. No nominating slips will be collected for the various candidates, but signatures will be sought on sheets of paper asking for nominations. A person may become a candidate for representative in a local government if one percent of the voters in a given voting district recommend the candidate by signing the sheet. It is conceivable that in settlements with less than 2,000 inhabitants it will be possible to nominate a candidate at village meetings. The nomination of candidates for mayor requires the recommendation of five percent of the voters, even though it takes place in a similar manner [as the other nominations].

Toth said that the second round of the elections scheduled for 23 September will be held in early October. It is certain, however, that the election of local representatives and mayors must be called for 60 days prior to the election day, for the same day. The anticipated cost of the first round is about 300 million forints, while the second round is estimated to cost 130 million forints. In conclusion the head of the elections office said that in order to limit the war of posters the legislative proposal authorizes representative bodies to issue decrees regulating locations where posters may be placed.

## POLAND

### Organization, Operation of Local Government Administration Outlined

90EP0737A Warsaw RZECZPOSPOLITA in Polish  
30 May 90 p 4

[Article by Krystyna Chrupkova: "Poland After the Elections: What Every Citizen Must Know"]

[Text] Properly speaking, there are no more gmina [township] chiefs. The concept of "basic- and voivodship-level local offices of state administration" should be discarded and one should get accustomed to the fact that the quondam presidents of Warsaw, Lodz, and Krakow are now voivodes and the Nation's Capital is an association of boroughs-gminas. In a word, one should be aware that as of Monday 28 May 1990 Poland is being governed differently than in the past. When the power structure is viewed from the top, the government and the ministries as well as the Sejm, the Senate, and the president have remained the same, but the other structures are either totally new or altered.

To simplify the matter it can be said that the government administration (full name: local office of the general government administration) begins with the voivode or the voivodship. Below it is the gmina, that is, local self-government.



### The Wojt or the Burgomaster

Nowadays all of us, including the inhabitants of the largest cities, are registered with one or another of the several thousand (about 3,000) gminas.

The gmina bodies are:

- The gmina council, a constituent assembly with ordinance-passing powers, with one chairman and one to three vice chairmen. It consists exclusively of the councilmen whom we had elected on Sunday 27 May.
- The gmina board, an executive body consisting of from four to seven members elected from among gmina council members, though there may be exceptions. The gmina board is headed by the executive officer, referred to as "wojt," or by the burgomaster or president [mayor]. They and their deputies are the exceptions in the sense that they may be elected outside the gmina council, that is, they do not have to be councilmen.

The burgomaster is the chairman of the board in the gminas whose authorities have their offices in a locality having municipal rights. In cities with a population of more than 100,000 the chairman of the board is the president; this includes the cities in which until 27 May of this year the president was the chief executive officer.

The wojt, the burgomaster, and the president perform their duties with the aid of the gmina office, the city hall, the gmina-city office, the borough office, and the self-government employees working for these offices.

Until such time when the gmina council elects its board as well as the wojt and the burgomaster or the president, their functions will continue to be exercised by the present gmina and city-gmina chiefs and city presidents.

The "Sejmik," or self-government dietine, is an assembly that jointly represents all the gminas in a voivodship. Delegates to the sejmik are elected by gmina councils from among their members, that is, from among councilmen.

In this simplified description of the gmina I deliberately omitted discussing communal associations and agreements, auxiliary administrative units such as hamlets, the slightly different characteristics of the Warsaw self-government, etc. This is because to a citizen who has a problem to settle it is the wojt, the burgomaster, or the president, and their associates who will matter most, on a daily basis.

### Intrinsic and State-Recommended Duties of Gminas

It is precisely the wojt, the burgomaster, or the president who makes decisions on the most varied everyday problems. And here a certain complication arises, because the gmina performs two kinds of duties, its intrinsic, regular duties, and the duties recommended to it by the government administration

If, therefore, an administrative decision regarding the gmina's intrinsic duties is issued, a citizen who is dissatisfied with that decision can appeal to the Appeals Collegium under the Sejmik (and ultimately to the Supreme Administrative Court). Or if the decision concerns duties recommended to the gmina by the state, the appeal is submitted to the voivode (and ultimately to the Supreme Administrative Court).

The question that begs itself is how can we tell which duties are the gmina's own and which recommended by the state? A citizen does not have to know this in advance, because the decision will include instructions on where to appeal against it. Still, this is something worth knowing. But that would require scrutinizing at least a hundred pages of the so-called Decree on Competences and Article 7 of the Decree on Local Self-Government (general scope of the gmina's intrinsic tasks). Incidentally, it is worth noting that henceforth any pertinent new legislation will contain provisions specifying which tasks and duties belong to the gmina, which are recommended by the government to the gmina, and which belong to the government administration.

The Decree on Competences specifies, point after point, the matters regulated by other decrees (and they are a multitude) which used to belong within the scope of powers of basic- and voivodship-level people's councils and offices of state administration and which have now been transferred within the scope of intrinsic powers of the gminas. It specifies in equal detail the duties that the government may impose on the gminas. And lastly it equally details the duties and powers of the offices of government administration, but in this case without dividing them into "intrinsic" and "recommended" duties, because there is no such division within the government administration; instead there is the division into the voivode's office and the district offices of general government administration. The significance of this will be explained below.

Who exercises supervision over the gmina and how?

The voivode and the chairman of the Council of Ministers. So far as the gmina's intrinsic duties are concerned this supervision is confined to the criterion of consonance with law (legality), while as regards the duties recommended by the state to the gmina the criteria are those of expediency, diligence, and efficient management. As for budget matters, these will be overseen by regional accounting chambers (which have not yet been established).

The gmina has legally guaranteed complete judicial protection and can sue in a court of law anyone who in its perception has in any way infringed on its autonomy. In its turn, the gmina may be sued by anyone whose lawful interests have been infringed upon by its activities.

### The Warsaw Voivode

At present the concept of the government administration consists of:

- The voivode as an officer of the general administration.
- Local offices of government administration which are under the direct jurisdiction of ministers of state, that is, offices of special administration (e.g., offices of school inspectors, educational administration).
- Relative to the duties recommended by the government to gmina bodies (as we already well understand).
- District offices of general government administration.

What is more, only the voivode is an officer of the state administration in the close meaning of the word. He is the local representative of the government. He is appointed and recalled by the chairman of the Council or on the recommendation of the minister proper for administrative affairs. His deputy is the vice voivode, only one. Unlike in the past, the voivode alone issues administrative decisions. To be sure, he may authorize some or other officials to issue them, but it is he who gives the authorization.

A citizen may appeal against a voivode's decision to the concerned minister of state (e.g., if this concerns housing, Minister Paszynski), and eventually the Supreme Administrative Court.

The current mayors of Warsaw, Krakow, and Lodz have become voivodes as of last Monday. They will, like the other 46 voivodes, remain voivodes until they are replaced by Premier Mazowiecki on the recommendation of Minister Ambroziak.

The district offices of general government administration (which do not as yet exist) are to provide those specialized administrative services which gmina bodies cannot provide as part of their state-recommended duties, which we know about already. One could even claim that they represent something similar administratively to the former "powiaty" [counties].

From the Decree on Competences it ensues that the tasks of these offices are indeed highly essential and ramified. That is because they assume many of the duties previously belonging to people's councils at all levels as well as to basic- and voivodship-level local offices of state administration. By way of an example, their powers include the confirmation of urban-planning and architectural-construction solutions and schedules, the granting of construction permits, deciding on the formation of water companies; integrating small land parcels into larger ones or rejecting such integration; deciding on farmers' requests to transfer their lands to the state; handling the registration of motor vehicles; issuing regular and temporary drivers' licenses and registration tables; issuing international drivers' licenses; expropriating real estate; and dozens of other decisions.

We may appeal the decision of the director of a district office of the general government administration to the voivode (and ultimately to the Supreme Administrative Court).

### A Little Confusion

What about problems taken up with offices which have been abolished, or which belong within the competences of offices which have not yet been established?

Let us begin with the latter.

Until the district offices of the general government administration are established, but not longer than for 3 months (that is, until 27 August), their duties will be handled by:

- 1) The voivodes, with respect to the duties previously handled by people's councils and voivodship-level local offices of state administration.
- 2) Gmina bodies, with respect to the duties previously handled by people's councils and basic-level local offices of state administration; obviously, this refers to state-recommended duties.

Now about the former: Proceedings in individual cases initiated before 27 May of this year have been, as of that date, transferred for handling to the agencies competent on these cases. In this connection:

- 1) All actions taken before 27 May, as well as all administrative decisions taken before that date, remain binding.
- 2) Appeals against decisions taken before 27 May by voivodship-level local offices of state administration on matters transferred to the competences of the gminas are considered by the appropriate central (national) agencies of state administration.
- 3) Appeals against the decisions taken before 27 May by basic-level local offices of state administration on matters transferred to the intrinsic powers of the gminas are considered—until the appeals collegiums are established under the self-government Sejmiks—by the appropriate voivode.

All this applies correspondingly to cases which will be handled by voivodes and gmina bodies until the district offices of general government administration are established.

### Recording Matters of Life and Death

But before our readers rush to study the Decree on Competences, here is a little information on the most vital issues, concerning which that decree has substantially revised the existing regulations.

Marriages are performed by the wojt or the burgomaster (president). The vital statistics offices are now part of the gmina office. A gmina is a vital statistics district. A voivode may establish a vital statistics office for several

districts, or he may establish several such offices within a single gmina. Vital statistics entries are performed by the director of the vital statistics office, or by his deputy (deputies). The director of the vital statistics office is the *wojt* or the burgomaster (president). A gmina council may appoint a different director of that office and his deputy or deputies.

The gmina handles community services (outside the workplaces) as part of both its own and state-recommended duties. As part of its own duties, it provides monetary and in-kind allowances as needed and maintains a base and a network of social-service resources and facilities. It establishes and maintains nurseries and other local care homes. As part of its state-recommended tasks it provides regular and periodic welfare services and pays the salaries of social workers.

Supervision of the quality of livestock feeds is a duty of the district offices of the general government administration.

Veterinary hospitals and clinics may also be maintained by gminas.

The supervision of market fairs is a duty of the gmina itself. Other economic entities may participate in these fairs upon receiving a permit from the gmina.

The operating days and hours of retail trade outlets, restaurants, and consumer service establishments are determined by the gmina.

The gmina council fixes the official prices for the services of local public transit.

The gmina may specify the sites, outside the national roads, at which parking fees are collected, the size of these fees, the manner of their collection, and the purposes on which they will be spent.

### Instead of an Ending

Anyone who desires to familiarize himself fully with local self-government and government administration should read the provisions of the following decrees:

1. Decree on Local Self-Government (Dz.U., No. 16).
2. Decree on Local Offices of General Government Administration (Dz.U., No. 21).
3. Decree on Self-Government Employees (Dz.U., No. 21).
4. Implementing Regulations of the Decrees on Local Self-Government and on Self-Government Employees (Dz.U., No. 32).
5. The division of duties and competences, as specified in particular decrees, between the gmina bodies and the offices of the government administration, as well as changes in certain decrees (Dz.U., No. 34).

6. Decree on the Self-Government Structure of the Capital City of Warsaw (Dz.U., No. 34).

After reading several hundred pages of these decrees I succeeded, to be sure, in writing nine pages of notes but even so they represent a highly simplified and abridged treatment of the problem. I note this in the event I am accused of having left out anything, not that it might be terribly important. I refer curious readers to the sources given above, on noting that we have long since been discussing successive provisions of the Decree on Local Self-Government in the law column of this periodical.

### Miodowicz on Slupsk Strike Role, OPZZ, Creation of New Party

90EP0635A Warsaw TRYBUNA in Polish 31 May 90 p 2

[Interview with Alfred Miodowicz, chairman, All-Polish Trade Unions Agreement [OPZZ], by Krzysztof Pilawski; place and date not given: "Advent Is Over"]

[Text] [Pilawski] Adam Michnik views you as a foe of democracy and a proponent of conflicts. Lech Walesa does not want to see you at all. How do you feel in your role as Public Enemy Number One?

[Miodowicz] I feel fine considering that the greater part of the public does not view me as its foe. I refuse to get involved in a polemic with Mr. Michnik, and as for Mr. Walesa, I accuse him of unfair dealing. First, he would not meet Miodowicz in front of millions of TV viewers on the grounds that Miodowicz was a member of the Politburo and now that Mr. Walesa feels that his interests are being threatened, he says that he won't meet Miodowicz owing to his Red past. But what mattered was not Miodowicz or Jurczyk but the railroaders [their wildcat strike]. I feel strongly that, had Walesa come to Slupsk on 23 May, the strike situation would have been over the same day.

[Pilawski] But Walesa won and succeeded in putting down that strike without the help of Miodowicz and Jurczyk.

[Miodowicz] He did not so much put it down as smother it. Besides, this is hardly a definite victory, because it will have an aftershock this coming fall.

[Pilawski] Meaning?

[Miodowicz] Meaning that demands that are not resolved will turn up again. That was too major a strike, a too determined one, for people to forget it.

[Pilawski] So you think that Walesa will not keep his pledges to the strikers?

[Miodowicz] Right, and I feel that keeping that promise is a precondition for keeping peace among the railroaders.

[Pilawski] Why did you go to Slupsk?

[Miodowicz] In reply to a completely unexpected invitation. I did not think twice and got into the car and arrived in Slupsk the same day in the evening. The strikers felt extremely frustrated because the authorities refused to talk with them on the grounds that theirs was an illegal structure. No trade union took them under its aegis. That is why they invited the heads of the four unionist centers operating within the PKP [Polish State Railroads]. In addition, they demanded talks with the government in Slupsk, because the core of the strike committee consisted of the hunger strikers. To me that was a clear-cut issue. I was authorized to do one thing: to present their thoughts in Warsaw. At the same time, representatives of the four centers left for Slupsk in order to confer legality on the strike committee by their presence.

[Pilawski] You spoke of supporting the Mazowiecki Administration. Does this mean that you will oppose strikes by your trade unions?

[Miodowicz] I believe that trade unions have the right to express their protest in various ways, including strikes as well. But in the present situation, as I have already stated publicly many times, I consider strikes to be an unusually dangerous and two-edged weapon. Every strike ruins the already devastated economy and affects social awareness fatally. Besides, the government is capable of looking on calmly while the struck enterprise goes bankrupt. And bankruptcy means unemployment for the workforce.

[Pilawski] Does this mean that at the moment Miodowicz is not threatening Mazowiecki?

[Miodowicz] Miodowicz has never threatened Mazowiecki. Miodowicz did once threaten the government, but that was justified. The Mazowiecki Government gives hope to the society. Were it replaced with another government, that would certainly not be an improvement. The Left will not come to power during the coming decade. Hence, the next government could only be more rightist than the present one.

[Pilawski] You met Jurczyk. Is an understanding between the two trade union alliances possible?

[Miodowicz] In Slupsk we sat at different corners of the same table. We spoke with the same intonation. Although we did not talk with one another, I do not preclude cooperation, which is already being reached anyway. After all, all the trade union orientations are represented in the Council of Veterans of Labor.

[Pilawski] Did you invite Jurczyk to the Congress?

[Miodowicz] We have invited neither Mr. Jurczyk nor Mr. Walesa to the Congress.

[Pilawski] I suspect that, so far as Walesa is concerned, you are getting even for not having been invited to the Solidarity Congress.

[Miodowicz] No, although I believe that Solidarity was wrong in not inviting us to its congress. Considering that the OPZZ [All-Polish Trade Unions Agreement] was instrumental in speeding up the registration of Solidarity and supported the change in the ruling Administration, this decision was to me incomprehensible and arrogant.

[Pilawski] Many people who liked your speech nevertheless do not believe you. They wonder where was Miodowicz earlier and what did he do. The principal accusation is that you used to be a member of the Politburo. Are you not regretting that chapter in your biography?

[Miodowicz] A couple of months ago there was a run on withdrawing personal documents from party committees. I did not withdraw mine, because my record is spotless, and in the Politburo I did very useful work on behalf of the trade unions. I was able, for example, to prevent our trade unionists from voting yes in the 1986 referendum regarding the first question on economic issues, because otherwise Poland would have been plunged in a disaster much greater than the present one. We shall probably emerge from our present crisis not in 5 months as the government claims but in 5 years. But as for the disaster which the Messner Administration wanted to visit on us, that would have resulted in a great rebellion of the society.

[Pilawski] Solidarity wants to be an "umbrella" for Poland. What role would you like to assign to the OPZZ.

[Miodowicz] Since Solidarity wants to be an umbrella, let us be the handle of that umbrella. We shall hold it firmly.

[Pilawski] Before the last PZPR congress it was commonly said that the OPZZ would be used as the base for a new political party. Is this still true?

[Miodowicz] This idea is alive, although it has been postponed in view of the danger that a large number of former PZPR functionaries would switch to such a new party. I have no pretensions toward these people, but we would not want to be labeled as inheritors of the PZPR. Now, however, Advent is over: the time of waiting is over and we shall probably cause the Movement of Working People to become more proactive.

[Pilawski] At the moment you belong to no party, do you?

[Miodowicz] Well, yes.

[Pilawski] But the leadership of the SdRP [Social Democracy of the Polish Republic, a splinter party formed after the breakup of the PZPR] includes two OPZZ activists, Wojciech Wisniewski and Jerzy Uziemblo.

[Miodowicz] Wisniewski is not one of us. He used to be the chairman of trade unions of PZPR employees and that is still his field. But as for Uziemblo, he is a vice



chairman of the OPZZ and has notified us of his intentions. Hence, he did not act on his own.

[Pilawski] You claim in public that you will not be a candidate for the chairman. But I find it hard to believe.

[Miodowicz] I must tell you that I indeed think it a reasonable idea not to be a candidate. However, the present situation may prompt me to think things over.

[Pilawski] But what happens if you won't be a candidate? Are you going to retire on a pension?

[Miodowicz] No. I would become active in the Movement of Working People.

[Pilawski] Would you transform this movement into a political party?

[Miodowicz] Yes.

[Pilawski] Last April I was told by one of your associates that if Walesa becomes an official candidate for the President of the Republic, Miodowicz will enter the race, too, and keep running as far as the Belweder [official residence of the president].

[Miodowicz] If that person has such a good opinion of me, I appreciate it. But I really have no such aspiration.

## YUGOSLAVIA

### Tudjman's Bosnian Aspirations Termed Serious

90BA0137A Belgrade NIN in Serbo-Croatian  
20 May 90 pp 16-20

[Interview with Dr. Jovan Raskovic, president of the Serbian Democratic Party, by Milorad Vucelic; place and date not given: "Serbian and Croatian Plebiscites"]

[Text] The founder and president of the Serbian Democratic Party, Dr. Jovan Raskovic, who is also a prominent intellectual and psychiatrist, has become "in a very short time" the leading Serbian opposition politician. After the results of the elections for the Croatian Assembly, it can be stated that the Serbian Democratic Party has achieved relative success. It won six deputy seats in the Assembly, and achieved electoral dominance in seven opstinas, including an absolute majority.

[Raskovic] When you look at the entire situation, those six deputies in the Assembly are really not very many. The Serbian people deserved many more. If we look at the whole preelection situation realistically, however, then it is also much more than I expected. There was very little time. The Serbian Democratic Party was formed in the second half of February, and the elections were two months later. We mostly obtained votes in the places where we managed to form our local committees.

Our idea was to win a group of opstinas (from six or seven to 10 opstinas), mostly opstinas where the Serbian population was dominant, because in that way we would

establish a united body of the Serbian population in Croatia, so that a policy that would have broader significance could be carried out. That would have been a base where our cultural, political, and economic ideas could have been carried out. We did not think of that area as an area that would be a nucleus for the creation of some new state, a Serbian state within Croatia, and especially not in the way that an Albanian state was formed within Serbia. That did not occur to us, because we know that sooner or later there would be major conflicts and bloodshed, and the kind of situation that existed in Kosovo would occur.

Consequently, this is not a question of a state or of forming any autonomy of that type, but rather of forming a good base for resistance in the event of an anti-Serbian Croatian Assembly. In that case, we would have had an area in which we could mobilize a moral and political defense.

[Vucelic] Your party did not succeed in spreading to Slavonija?

[Raskovic] Slavonija had great resistance to accepting us. It was mostly tied to the LC [League of Communists], and people in Slavonija are much more intimidated than people are here. We had invitations several times to hold meetings in Slavonija, but they were cancelled at the last minute.

What is happening now after the elections shows that the psychological attitude of Serbs toward the Serbian Democratic Party is changing. It is as if the fear is receding a little and people are becoming more aware that the Serbian Democratic Party is the only possibility for real political work, political and ethnic work by the Serbian people. We will live in an ethnocentric state, and accordingly, we can conduct a political struggle only through an ethnic organization of us Serbs in Croatia against the state ethnic organization.

That struggle will be and is completely unequal, since the state is behind one ethnic group, and a political organization is behind the other. The only thing left for us is moral superiority in that struggle—nothing else. The ethnocentric state would be very dangerous to the Serbian people if there were no democratic trends in Croatia—to put it simply, if there were no democracy. For our part, we will try to establish relations that must be democratic a priori.

[Vucelic] You are talking about a Croatocentric Assembly. Does that mean that the Assembly opposition is also Croatocentric?

[Raskovic] As far as Croatocentrism is concerned, there is no difference between the opposition and the ruling HDZ [Croatian Democratic Community]. The only opposition to Croatocentrism is the Serbian Social Democratic Party. All of the other parties are based on the standpoint of the Croatian state and its sovereignty, the Croatian sovereignty of the Croatian state.



That is not the sovereignty of the people who live in Croatia; it is only the sovereignty of the Croatian people. That is the card they played, and that is the card that won the elections for Tudjman. That was the basis for winning over the electorate. The voters were not interested in the stories of the coalition and the Croatian LC, which were clearly anti-Serbian and which variously portrayed the policy and regime in Serbia and especially concerned themselves with Slobodan Milosevic. It was shown that that was not a sufficient stake to win over the voters. The HDZ spoke least of all against Milosevic and against the system in Serbia, but it nevertheless completely beat those who spoke differently.

[Vucelic] I have the impression that in spite of that, a considerable number of Serbs voted for the Croatian communists?

[Raskovic] Speaking realistically, the Croatian LC and the Serbian Democratic Party received primarily Serbian votes. Where there were not many Serbs, as in Zagreb, for example, the Serbian Democratic Party was beaten catastrophically.

Everything that was done at the 11th Congress of the Croatian communists was actually an ethnocentric coup, establishing and in a way legalizing an ethnocentric policy. That actually opened the door to Tudjman. The door was opened to him by that coup by Racan and the group around him, and all of their talk later on was insignificant. In my judgment, the SKH [League of Communists of Croatia] received at most seven to 10 percent Croatian votes. All the other votes were Serbian votes.

[Vucelic] Doesn't that confirm once more the truth about the gullibility of the Serbian people?

[Raskovic] The gullibility of the Serbian people is well known. The Serbian makeup contains two traits—the trait of continual division, and the trait of gullibility. It might seem to someone that they do not go together, but the Serbian people is inclined toward divisions precisely because it is gullible. It is inclined toward divisions, and divisions create a certain inertia.

There have been and are many divisions in Serbia, and especially among us. Some Serbs have come under the wing of the Serbian Democratic Party [SDS], and some are still putting their trust in the communists of Croatia. In a certain way, the SDS has raised up the Serbian people. We raised it up out of the lethargy it was in, out of the lie into which it had sunk deeply. An ideological fog has not been spread anywhere as successfully as it has among Serbs in Croatia. A false feeling has been created that Serbs in Croatia are protected only if this country is ruled by communists, and that any other rule besides communist rule has brought the Serbian people into a crisis. That is not true.

I think that even this rule that Croatia is now facing, in which there is a great deal of both Serbophobia and extreme nationalistic ideology, is now more favorable for

establishing the identity of the Serbian people than the former ideological and false concept of protection.

These elections will arouse the Serbian people; they will also arouse them because the reality will be clear to the Serbian people. This is the first time, after so many years, that the Serbian people has recognized reality and encountered it. Reality is the victory of the HDZ, and the victory of Croatocentrism, and what happened in the Croatian LC—a Croatocentrist coup.... We now have a real situation in front of us.

[Vucelic] And if the coalition had won?

[Raskovic] It would not have been any easier for us, because the coalition would have declared the HDZ a rabble-rousing mania, while they would have appeared as the civilized proponents of absolutely the same concept. The Serbian people would have been dealt with a little more rhetorically in the new constitution, but neither party will agree to actually institutionalizing the Serbian people—and what we are seeking now is to obtain institutional recognition.

[Vucelic] And if the communists had won?

It would have remained—the Serbian people would supposedly have had full rights, and it would have allegedly shared sovereignty, but that sovereignty and sharing has not existed, nor would this new party, which is allegedly Racan's, give it to us.

We did not have much of a chance, regardless of who won. I really do not know why Tudjman was more "right-wing" than the coalition, and I also do not know why Ivica Racan was more "left-wing" than the coalition. These are only political constructions that mean almost nothing. I would not say that the HDZ is the most "right-wing," but that it is the most militant.

Tudjman, however, obtained power in a more than overwhelming manner, and now he does not have any problems with the formal retention of power. The Assembly is his, and no one can take the Assembly away from him. Consequently, there is no idea created in the HDZ that will not be carried out immediately. Tudjman's rule, however, is a young one, a rule that has not yet established itself, and every young rule has a need to maintain itself. If it attempts to maintain itself through repression, then it will be a terribly severe repression. Nothing is as dangerous as a repressive young rule. But in this case, any legalization of repression, and thus also repression against Serbs, would jeopardize that rule. In this situation, as it is, crude repression against the members of another ethnic group is something that shakes all of Europe. Perhaps that can be survived by an organized and old rule, but a young rule can hardly survive it.

[Vucelic] What can you tell us about your talks or negotiations with the president of the HDZ, Mr. Tudjman?

[Raskovic] At the very beginning of the talks, Mr. Tudjman insisted on talking about our cooperation in the Assembly. I refused to talk about it, and said that I did not think it was essential for Serbo-Croatian relations. It does not matter at all who from the Serbian Democratic Party will be the vice president of the Assembly or the government. That does not settle things. And I said that we had communist governments in Croatia in which there was sometimes even a Serbian majority, but the Serbian people in Croatia did not benefit from that at all. Accordingly, it is more of a parade than a real solution to the problem.

It seemed to me that the most important thing was to eliminate from Serbo-Croatian relations the admixtures of social pathology with which these relations have been colored currently, or else for a long time already.

I particularly pointed out the way, in my opinion, in which we can eliminate the focuses of Serbophobia in that movement. Serbophobia does not help anyone—the Serbian people in Croatia, or the Croatian people, or any party whatsoever. And it seems to me that we have to do something that is essential—to have the hawks on both sides put in second place, at least for now. Naturally, the hawks on the Serbian side are not as dangerous as the HDZ hawks, because the HDZ is in power.

[Vucelic] What did Mr. Tudjman say in response to those proposals of yours?

[Raskovic] Actually, it was a brief monologue on my part, in which Mr. Tudjman did not participate. After my statement, Tudjman again went back to talking about the positions and functions that the representatives of my party could occupy in the government or the Assembly. He emphasized that the very offer of those positions was actually anti-Serbophobic. And he let me know that because of that offer to the Serbian Democratic Party there had been "great protests within his party," which is understandable, just as there were certainly protests within the Serbian Democratic Party, and among the Serbs in Croatia, because I even appeared with Tudjman.

In spite of all that, however, we agreed that it was good that all of that had been offered to me and to us, that it was good for Serbo-Croatian relations, but that it was not enough, and that those relations had to be established differently. It is necessary to seek some other values with which we could build those relations. Those values are freedom and democracy. Mr. Tudjman and his party are stressing primarily the freedom of the Croatian people in Croatia, but we think that civil sovereignty is the basic condition for freedom.

This sovereignty now offered by the HDZ clearly indicates that it is a concept of sovereignty for the majority people. That suppresses the sovereignty of the minority peoples. If the Croats want and desire to have their state be a state of national sovereignty, then we will not attack that sovereignty. If civil sovereignty is not recognized, however, and only the latter sovereignty is recognized,

that means that democracy will not be recognized. The HDZ, as a democratic party, would thus betray its own name, betray the Serbian people, and betray the nonaggressive potentials within the Croatian people. That is because not only the aggressive parts of the Croatian people went with Tudjman. If they were the only ones to do so, he would not have obtained 60 percent of the votes, because I do not believe that 60 percent of any people in the world are aggressive.

[Vucelic] How can the Serbian national question in Croatia be resolved, in that context?

[Raskovic] Mr. Tudjman emphasizes that there cannot be a bad sovereignty for the Croatian people. We can acknowledge that ethnic sovereignty as citizens, but we will always advocate civil sovereignty. The constitution itself, in my opinion, has to guarantee the sovereignty of the Serbian national identity. I proposed that wording to Mr. Tudjman—i.e., not sovereignty in ruling the state, but sovereignty of the Serbian national identity. I proposed that this be included in the constitution.

It is very important that this sovereignty of the Serbian national identity be recognized, that it be known that we in Croatia are living with the Croatian people, and that we are building one country with the Croatian people, that in the final analysis Croatia is our common homeland, and a homeland is a place where a person has his home. A homeland is one thing, and a lineage is another. Our lineage is Serbian, but our homeland is Croatia. We are Serbs by lineage, and by lineage we cannot be anything else but Serbs.

[Vucelic] Among your followers, there are also those who feel that you are being too conciliatory and soft?

[Raskovic] My statements recently have been somewhat measured, completely nonaggressive, and aimed at cooperation. After all, I am a person who is mild by nature, and to whom all conflicts are foreign. I am not in favor of any conflicts anywhere, and I did not advocate conflicts at a single one of the preelection rallies, and someone calculated that I had made over 40 speeches in more than 30 days.

I have always spoken of hatred as evil, and I have always emphasized that the Serbian people in Croatia is not in favor of trenches, it is not ready to die, and it is not in favor of ethnic lawsuits. The Serbian people in Croatia wants peace and coexistence with the Croatian people. The Serbian people must recognize the identity of the Croatian people, and the desire of the Croatian people to form its own state. It likewise, however, seeks recognition of its own identity and the institutionalization of all its national and human rights.

Otherwise, I have been anxious that in those so mild, acceptable, and moderate tones of mine there may be not only a portion but also a content that could constitute some sort of amnesty for all the Serbophobia that has erupted from the HDZ. Consequently, the big question is whether I amnestied the HDZ and its policy too early. In

doing so I ran an enormous risk, not only personally, but also for my party, and in the final analysis, I also exposed the Serbian people in Croatia to that risk.

With such a position of amnesty, it is as though in a certain way we gave the HDZ a certain right to interfere in Serbian affairs. Perhaps we appear to have chosen a worse alternative for the Serbian people, or that part of the Serbian people that we represent. In view of this, it really was risky on my part, and perhaps even irrational. Perhaps a more firm position would have been more reasonable. I think that there have been enough firm positions, however. I think that in addition to firmness it is also necessary to introduce a somewhat different sensitivity, softness and trust.

[Vucelic] Many commentators are emphasizing that what has happened in Croatia is a sort of plebiscite by the Croatian people, and has much less to do with elections.

[Raskovic] If we undertake some detailed analyses and retrospectives, we must emphasize that the Serbian people has had bad experiences with Croatian plebiscites.

First of all, at the plebiscite in 1938, the Croatian people not only put their full trust in Macek, but also gave him all prerogatives. We know how that ended. Macek, in fact, was the first one to welcome the creation of the Independent State of Croatia, which, admittedly, was not exactly lenient toward him. The essential thing now, however, is not who treated whom how, but the fact that he welcomed the creation of the Independent State of Croatia, that he gave it legitimacy, and that he transferred to it the legitimacy that he had received from the Croatian people. Plebiscitary legitimacy was transferred to a state where there was an unprecedented destruction of human beings, a state of genocidal crime. In such a situation, then, a continuity has been established between the Croatian people's plebiscite in favor of Macek and the creation of that genocidal entity. That would be our first bad experience with a plebiscite of the Croatian people.

Our second bad experience with a plebiscite was the plebiscitary acceptance of the communists. Croatia accepted its communists by plebiscite, and especially after Vladimir Bakaric settled accounts with the hard core of the Serbian communists, and so that continued to spread up until the present day. No one has ever studied those aspects, and I am speaking, above all, of Bakaric's personal act of removing Canica, Opacic, Rade Zikic, and Dusan Brkic.

It seems to me that this was the key and basic action by which Bakaric "ferried" the Starcevic idea into the Communist Party of Croatia and thus gave that party the legitimacy of a continuation of Croatian national ideology. That is the nucleus from which he won over the Croatian people; and from 1951 on, Bakaric was untouchable, all the way up until the appearance of the mass movement. That was only one episode, however.

The fact that Bakaric participated in settling accounts with the 1971 mass movement does not mean anything. I think that Bakaric acted then as a figure establishing the continuity of contemporary Croatian national aspirations with the original Croatian national ideology. With steps like that, in fact, Bakaric won over the Croatian people in a plebiscitary manner.

Consequently, that second plebiscite of the Croatian people ended with the Serbian people in Croatia, in spite of the constitutional declarations and all sorts of congress and party proclamations, formally losing during that period its right to its own language, its alphabet, the schools that it had, its press, and the right to establish itself as the Serbian people... And the worst thing of all is that the guardians of such a communist movement were primarily Serbs. As the guardians of that movement, they were very devoted to it, and so everything that was Serbian, everything that bore a Serbian name and represented a Serbian aspiration, was denounced and destroyed. It was all declared to be counterrevolutionary, nationalistic, and chauvinist, because everything has its drawer from which condemnations were pulled. What happened in that way can only be compared with genocide—nothing else. The Serbian people was oppressed. The ideological lie was carried out in the name of supranational interests, but in fact proved to be a policy of national assimilation.

[Vucelic] Certainly that is already part of the past...?

[Raskovic] True, that is past history. Both movements, in fact, suffered historical collapse. Croatian communism no longer exists, nor will it ever again. I do not foresee any possibility of its being renewed.

The present plebiscite in favor of the HDZ put all the relevant historical elements in the hands of that party. Consequently, the Croatian people gave full confidence to the HDZ and accepted an independent Croatian state. The first Croatian state was a criminal one, but it was not independent. It was dependent upon Nazism. The second one was communist, and was only conditionally independent—it had some independence. And now a new independent state is being created.

We—both Serbs and Croats—must support this chance. The HDZ has now obtained a plebiscitary mandate from the Croatian people to build a state, but one in which the Serbian people will have its own place and will be institutionally established—i.e., not just through declarations, but through institutions.

We do not have a single reason not to negotiate with Mr. Tudjman on this. It is the only chance for both the Croatian people and the Serbian people in Croatia to have the plebiscite end favorably. If this plebiscite and this creation of an independent Croatian state end with the suppression of Serbian rights and interests, then in actual historical terms nothing more will be left of Serbo-Croatian relations, at least in Croatia. I think that it would be the end of those relations. If the third

Croatian national plebiscite, which put all national prerogatives in the hands of the HDZ, suffers a historical collapse, then there can be no more talks of any kind between Serbs and Croats, not to mention cooperation. That would be tragic not only for the Serbian people, but also for the Croatian people. Consequently, the responsibility of Mr. Tudjman and the entire HDZ is much greater than we can imagine.

[Vucelic] Do you get the impression that the HDZ is aware of that great responsibility?

[Raskovic] The HDZ came to power on wings and on a wave of rapture, and possibly even national delirium, and so it cannot give up that delirium or extreme national ideology overnight. I am now worrying about triumphant aggressions and small individual aggressions. The people in the HDZ know that that will happen, but say that for their part they will try to keep it to a minimum.

In spite of all those dangers, however, I repeat that from all indications, things are still much easier for us with Tudjman, even in this difficult situation. Things are easier for us with Tudjman than with his predecessors and his rivals in the elections, because Tudjman has his cards on the table from beginning to end. He is playing the card of the Croatian sovereignty of the Croatian state, and he played the card of Serbophobia until he won the elections. There is no ideological fog in discussions with Tudjman. It is a discussion with everything in the open. I do not agree with Tudjman in many respects, I do not agree with his concept of sovereignty, I do not agree with his Serbophobia... I accepted Tudjman's open offer to talk, because the HDZ is responsible for whether the Croatian plebiscite will bring institutional rights and freedoms to the Serbian people in Croatia.

[Vucelic] What are your party's future plans?

[Raskovic] When we established the party, we declared it to be the party of the Serbian people in Croatia. The Serbian Democratic Party has not only ambitions, however, but also a task, resulting from its program, and its program is a program of universal freedoms to become the universal party of the Serbian people. We will spread to Serbia; we will spread and have already spread in Belgrade; we will also be organized in Novi Sad by the end of the month. We want to become the modern party of the Serbian people, and at this time we represent the only party that has legitimacy and legality, and the power to spread out to the Serbian people in all regions.

And so, now, on 22 May, we are organizing a branch of our party in Novo Mesto, and one in Maribor on 29 May. We are going wherever there are Serbs. We are going to the Serbian people in Slovenia, and we will be accepted in Slovenia as the 18th legal party. In addition, we have ambitions of extending our activity to Bosnia when the appropriate laws are passed.

[Vucelic] To Bosnia?

[Raskovic] You are probably surprised because it is well known that the HDZ also has aspirations in Bosnia. I would like to call your attention to the fact that it is not just a part of their program. In my conversation with Tudjman, I saw that that aspiration was extremely serious, and that it would create serious problems. That is quite clear to us.

[Vucelic] How did you reach that conclusion?

[Raskovic] When I was talking with the leadership of the HDZ, i.e., with Mr. Tudjman, and mentioned that we were preparing to hold a spiritual assembly of Serbs in Croatia in the fall, Tudjman said that we absolutely had the right to do that, and that the HDZ and the official Croatian state would not prohibit it. He only commented that he asked us not to make any sort of anti-Croatian atmosphere out of it. I emphasized that the Serbian national identity in Croatia would be concerned with itself, that there would be certain political overtones concerning that, but that I did not conceive of that as anything anti-Croatian. That would be absurd now. We want to establish the Serbian cultural and spiritual identity, and we will see how it will be formulated politically and geographically. That is not something that we can resolve today.

Tudjman accepted, with great satisfaction, my proposal to include Serbs from Bosnia in that spiritual assembly—with an appropriate change in the name of it. That means that he is not bothered by the initiation of the process of the gravitation and unification of the common spirit of Serbs in Bosnia and Serbs in Croatia.

Tudjman is thus not bothered by our cultural aspirations, above all because they also create opportunities for him to realize some of the political aspirations that he has with respect to Bosnia....

[Box, p. 16]

[Vucelic] We cannot conclude a conversation about the elections and the position of Serbs in Croatia without talking about the interethnic lynching at the Dinamo Stadium in Zagreb. What does that terrible act mean to you as a psychiatrist, a moralist, and a politician?

[Raskovic] I am truly shaken and worried by the spectacle of bestial hatred and collective aggression, typical of civil, interethnic, and religious war. Some sequences in the film coverage of the Maksimir horror forcibly reminded me, through their savagery, of those televised massacres between the rebelling people and Ceausescu's Securitate.

I admit that my willingness to believe that the new government in Croatia can bring about a decrease in Serbophobia and the interethnic tensions that were strongly intensified by the HDZ and others during the election campaign, i.e., my hope for a democratic solution to the Serbian question in Croatia, was dimmed by the irrational wave of chauvinism that bloodied the green playing field in Maksimir.



There cannot be a democratic society if chauvinism represents people's ideological awareness. There cannot be a democratic Croatia without democracy for Serbs. There cannot be a democratic Serbia with hatred toward Croats. We Serbs in Croatia must dedicate our political

and moral resources to interethnic tolerance. The Serbian Democratic Party will do everything in its power to avoid a repetition of the Maksimir and Zagreb disaster, which, along with the chauvinist violence in Kosovo, has vandalized our country of Yugoslavia.



## GERMAN DEMOCRATIC REPUBLIC

### Restructuring Through Franchises Examined

90GE0155D Duesseldorf *HANDELSBLATT* in German  
16 May 90 p 22

[Article by Ekkehard Brysch, managing partner of Ekkehard Brysch & Partner in Varel: "Intensive Operation in Partnership Will Be of Utmost Importance"]

[Text] With a view toward restructuring the economies in almost all East European countries, the use of franchise systems may already become of great importance in the short term. Since franchise systems are usually standardized to the point that they can be applied rapidly and successfully even without extensive knowledge of business administration, they are particularly suitable for the rapid and efficient setting up of functioning trade and service structures in the GDR, Hungary, and the other countries.

It must be noted, however, that in franchise networks such as the ones shortly to be established in the GDR, the task setting for the centers of the franchise systems will initially be considerably more extensive than in comparable franchise structures in the FRG.

If this article addresses itself particularly to the problems in the GDR and the resultant starting points for the use of franchise systems, it is only by way of an example, because similar points could also be made about Hungary, Poland, the CSFR and, perhaps soon, the USSR.

The buildup of an urgently needed supply with goods and services of all types for the population in the GDR will depend greatly on the development of strong small and medium-sized firms.

#### Credit Programs Alone Will Not Suffice

The GDR can hardly be helped sufficiently by the provision of extensive credit programs alone. What is needed just as much for the development of functioning smaller enterprises is the experienced know-how from functioning enterprises in Western countries.

The magic formula—as can be read everywhere—is cooperation. That means cooperation of independent enterprises on a voluntary basis with the goal of improving the performance capability of the participating enterprises.

That, precisely, is the ideal starting point for franchise systems. By their organizational structure they are geared to constantly supplying, advising and servicing a great number of independent partners (franchise recipients). In the FRG alone, there are almost 200 successful franchise systems whose partnership cooperation models can make a considerable contribution to the restructuring and reshaping the GDR economy.

Extensive know-how can be passed on to the franchise recipient through the principle of vertical division of

labor applied in franchising. The net product is created in the enterprise of the franchise recipient and remains—different from branch enterprises, for instance—in the enterprise and hence in the GDR.

The willingness to become entrepreneurially independent is very great, particularly in the GDR. However, almost all those "setting up a business" lack the necessary knowledge and experience for establishing an enterprise which can be successful under market economy conditions.

Talks with potential business founders have shown that only fragmentary knowledge exists about the organization and management of enterprises in free markets. But if GDR franchise recipients were to become partners of suitable West German systems, this lack of information and experience would no longer be important. As a franchise recipient, he can utilize the entire entrepreneurial pragmatic knowledge of the already successfully active franchiser.

After appropriate training by the franchiser, he can immediately concentrate on those tasks he has to carry out for successful local activity. The franchiser provides extensive support in all areas important for the organizational setup and operation of his enterprise:

- Extensive training and hands-on experience in one of the franchiser's enterprises.

#### Assistance in Selecting Location

- Assistance in selecting the location and furnishing of the place of business.

- Presetting the organizational planning and scheduling for his enterprise.

- Teaching and training his staff.

- Supply of all required goods and services.

- Making available all auxiliary material required for operation (operations handbooks, EDP [electronic data processing] programs, etc.).

- Providing a proven sales concept (marketing concept).

- Constant business administrative and organizational consultation.

- Opportunities to exchange experiences and receive further training.

However, for franchisers wanting to expand their activities to the GDR territory, compared to their present activities, a number of additional requirements must be met:

1. If necessary, the system concept must be adapted to the special market conditions in the GDR, since the range of goods or services supplied must at present be structured differently from those in the FRG.

2. Particular care and probably a great deal of time must be expended on training and hands-on experience of the franchise recipients. The same applies to the training and motivating of the franchise recipient's future coworkers.

3. Requirements as to location certainly cannot be oriented along the lines otherwise normal for the system since suitable commercial premises are hardly available.

4. The franchiser will be forced to develop a marketing concept adjusted to the special situation, since only some of the usual marketing tools are available.

5. Intensive consulting and service to the franchise recipients as partners is of special importance. Even more so than is their present practice, franchisers who want to become active and successful in the GDR and beyond, will have to conduct an intensive dialogue with their franchise recipients on the basis of equal rights in the partnership. The special circumstances under which franchise recipients become active in the GDR demand an optimal amount of fairness of the franchiser.

The Association of German Franchises (DFV), also, expressly pointed out to all franchisers the special responsibility they are assuming for the GDR franchise recipients by expanding their systems to the territory of the GDR. What is needed is not a "superior" attitude but fair partnerships corresponding to the basic idea of franchising in order to motivate the newly gained franchise recipients and lead them to success.

#### **Acid Test for the Franchise Systems**

This new task setting becomes a fundamental acid test for franchising, because now the franchise systems have the chance to fully display their strengths.

It is possible that the advantages of this system may lead other enterprises, which up to now have used different marketing concepts, to the road of franchising in their activities in East Europe. One can already see first beginnings in the trade and restaurant sectors.

#### **Kombinat Breakup Procedures Examined**

90GE0155C Duesseldorf *HANDELSBLATT* in German  
29 May 90 p 3

[Article by "df": "The Staff and Company Directors Want To Be Allowed To Sell Capital Shares"]

[Text] Duesseldorf, 28 May—The office equipment factory Soemmerda (BWS), a plant of the GDR Robotron combine, on 14 March 1990 applied to the trust institution administering the state-owned business assets of the GDR economy for conversion to a joint stock company, whereby 75 percent of the capital was to be transferred to a staff fund. The trust institution rejected the application. The company's trade union management has now appealed to the GDR Council of Ministers, quite probably in coordination with the IG Metall West [trade union].

The Soemmerda model concerns conversion of the office equipment plant into a joint stock company, gratis granting of staff property (collective fund of 75 percent capital stock, while 25 percent is to remain with the trust institution), as well as a modern codetermination rule regulated in the bylaws, which would give the staff *de facto* rule in the enterprise.

#### **The Soemmerda Model Is To Be Exemplary for the GDR**

In the letter to Prime Minister de Maiziere, written by the trade union management on 10 May 1990, the prime minister is being challenged to open the way for the Soemmerda model generally for all of the GDR by creating the appropriate laws.

Independent of the final restructuring of people's property, the model bylaws for a joint stock company worked out in Soemmerda jointly with IG Metall West are to become the core of a general codetermination rule at the enterprise level, announced in the coalition agreement.

This enterprise constitution represents a more professional codetermination system than that existing at present in the FRG. This is demonstrated not only by the demanded high qualification of supervisory board members, but also by the importance attached to information, communications and pioneering staff development. For that reason, these model bylaws must be included in the discussion of a law on codetermination to be passed now.

Independent of this codetermination solution, the trade union management of the office equipment plant demands that the GDR Government secure the people's [national] property for the GDR.

Reversal of all socialization measures since 1945 would be the wrong way, because then the expected flood of lawsuits would paralyze the GDR economy for years. A transfer of people's property to the FRG by the trust institution is also out of the question.

It is undeniable, however, that a partial sale of ownership rights to the West is unavoidable. "The sales proceeds from such rights are urgently needed by our enterprise for modernization investments. Influx of Western capital is necessary and desired."

However, to what extent the individual GDR enterprises should sell shares in their own capital and at what values, "these questions cannot be solved by the Berlin trust institution according to a centralized pattern. Above all, they must not be decided over the heads of the staff members. The exchange with Western capital can only be negotiated by staff and company directors in a decentralized fashion, i.e., on a market economy basis."

The GDR needs now a pragmatic regulation of this key problem. The solution planned for Soemmerda does not raise any kind of assessment questions and is immediately implementable. The BWS staff emphasizes that the people's property had been created equally by the work of the entire GDR population during the past 45 years.

For this reason alone, individual distribution of the company capital to the staff, for example through preferred shares, is out of the question. "Therefore we have decided in favor of collective ownership in which the respectively present staff members in the course of time hold part of the company capital."

#### **No Individual Ownership of Company Capital**

Individual distribution must also be rejected for the reason that, in the long term, this would bring about a constant capital outflow for the enterprise. That presents a financially undesirable risk for the enterprise and in the end would lead to a heavy regional mortgage.

Independent of these company-specific demands, the enterprise's trade union management offers an additional regional proposal: In case of implementation of the BWS model, the 25 percent trust capital remaining in addition to the 75 percent staff capital should be placed in a regional trust institution so that overlapping aspects of state structural policy can be developed positively for the territory of the GDR. This presupposes decentralization of the present trust institution, which makes good sense for sectoral and regional policy reasons.

An enclosure to this letter then states: Since the trust institution has denied the application by BWS on the legal grounds of the regulation of 1 March 1990, "while we urgently need the new legal form of a joint stock company, we see ourselves forced to accept as a temporary solution the 100-percent trust capital provided in the regulation, until the general legal conditions have been created for the staff capital desired by us."

#### **Tax Reform to Affect VEB's, Capital Enterprises**

90GE01264 East Berlin FINANZWIRTSCHAFT  
in German May-Jun 90 pp 11-12

[Article by Dr. Heinz Feurich, head of the Department of Taxation and Revenue, Ministry of Finance and Prices: "Concerning Aspects of Tax Reform in the GDR"]

[Text] The fundamental reform of tax law in the GDR is an urgent requirement of the transition to market economy conditions. The goal of such reform must, therefore, be the creation of a modern tax system which provides the fundamental conditions for performance incentives for citizens and businesses alike; expedites the formation of more competitive small and middle-sized businesses; makes possible equal competitive conditions for businesses regardless of their type of ownership; and secures the financing of necessary state expenditures.

Given the dimensions of the new regulations which are to be written, both with regard to their number and substance and their economic and social consequences this tax reform can only be realized gradually.

#### **Tax Change Law: A First Important Step**

An initial but very important step was accomplished with the changes in the legal status of income, corporate,

and property taxes—the Tax Change Law—enacted by the People's Chamber on 6 March 1990, of which two points in particular are of special importance:

The first point concerns the furthering of tax equality—to achieve, for example, greater tax parity between those employed in manual labor and those employed in businesses and services by the creation of a unified tax rate. This will address the important concern about tax equality of many merchants, restaurateurs, carriers, traders, etc. It likewise affects the removal of the present differential tax rate between self-employed occupations. Up till now, the highest tax rate for self-employed doctors, writers, visual and performance artists was 30 percent of income; this rate will now also apply to the income of self-employed engineers, commercial artists, craftsman, translators, tour guides, etc., who had to pay as much as 60 percent income tax in the past.

The second point is that the substantial tax reduction for manual workers, traders, the self-employed, and corporations furthers initiative and the creation of enterprises. A manual worker for example with an income of 40,000 Marks will receive tax relief of 8,380 Marks compared to the previous year, a wholesaler 4,220 Marks, and a trader a full 17,180 Marks. Joined with the option of exercising special depreciation and the formation of a tax-free savings account of 20 percent of yearly profit (maximum 50,000 Marks), these measures represent an essential enhancement of accumulation potential and hence contribute to the competitiveness of small and middle-sized firms, whose upturn is so important for our economy. Moreover, the reduction of corporate taxes, from a maximum of 95 percent to 50 percent creates favorable conditions for corporate competitiveness, including those corporations with foreign participation. Double taxation of profit distribution will be avoided by an allowance procedure.

The measures accomplished by the Tax Change Law are not however sufficient to address the goal of comprehensive tax reform. To the contrary, some of the most essential tasks of tax reform are still ahead of us.

It is appropriate to take systematic advantage of the international experience of the EC countries in this respect and of West Germany in particular, and to strive for an approximation of its tax laws. There can be no question however of simply copying West German tax laws. Given the differences between our states in regards to investment, it is undoubtedly necessary to strike down new paths in order to increase the ability of our enterprises to innovate, and to make possible requisite financial accumulation. Certain simplifications of the tax laws must also be considered.

#### **Conversion of State-Owned Enterprises to the Tax System**

In the context of this article only a few questions and problems can be addressed.

The introduction of a market economy and hence equal opportunity and equal competitive conditions requires the conversion of state-owned enterprises to the tax system. These enterprises must be subject to the same principles of taxation as corporations. This represents an immense challenge to thousands of state-owned factories and enterprises. It is not simply a question of replacing the previous system of financing the national budget—net profit taxes, production funds taxes, social taxes—with corporate taxes, value-added taxes, income taxes and other types of taxation. Indeed, it concerns 78 percent of the entire budget and is in part a matter of creating in the first place the basic preconditions for the organization of taxation; establishing for example a unified tax appraisal of business worth, including building and property, and of profits for tax purposes, as well as appropriate tax statements and forms. In other words, the complete reformation of the money flow to the budget. All of that must be connected with acquiring and training the appropriate personnel.

It is urgently necessary to rework the basis of profit definition including depreciation policy in that it represents, along with the tax rate, an important basis for corporate profit and hence corporate financial reproductive capacity. It is particularly important to eliminate the previous overly restrictive definition of taxable business expenses, both in regards to wages and bonuses as well as public relations expenditures, advertising, and contributions to professional organizations. Early changes are necessary and anticipated. The principle must be established that all expenses are recognized as tax deductible, which relate directly, i.e., in a cause-and-effect way, to the pursuit of earnings and/or market share.

#### **A Fundamental Examination of Corporate Taxation**

The present corporate tax system requires fundamental reappraisal. Earlier, depending on the type of price, either turnover tax or production funds tax was raised. Private manual workers are taxed based on the amount of wage income. Only some traders pay trade tax. In the interest of tax equality and the creation of more competitive conditions, this present inconsistent approach must become unified in the future and apply to all types of enterprises. Furthermore, serious reflection is necessary in regards to the suggestions of corporate organizations and economists that embrace the elimination of income and trade tax. One should not however approach this question only from the point of view of avoiding the administrative challenge of reappraising worth and conserving financial expertise. It is also necessary to consider the need for a financial source for the common budget and international tax harmonization. In order to secure international competitiveness for selected products it is necessary for all types of enterprises in the GDR to create within the short term the conditions for the introduction of a modern form of turnover taxation. That means that the net turnover tax applied in all EC countries (value added tax) is to be introduced into the GDR as well, and that the previous gross turnover tax which private manual workers and merchants had to pay

when using cost-based prices, will be eliminated. While in the case of gross turnover tax each product turnover of an enterprise is subject to three percent taxation and hence the cumulative tax burden increases step by step, with the net turnover tax, the turnover tax is assumed from the previous level in the path of a so-called pretax deduction. Hence the value added tax is ultimately paid not by the entrepreneur, but by the private consumer. The negative social consequences related to this—upward price trends and the burden on families with many children—stand in opposition to the fact that it is relatively easy to increase and very lucrative. Each citizen contributes in the measure of his personal consumption to the financing of total state expenditures.

The introduction of a market economy also means that the previous administrative system of product-related taxation must be eliminated, and that in its place a system of consumer taxes of selected products borrowed from the West German system be introduced. The experience of the EC countries shows that consumer taxes are relatively easy to raise and require few resources to implement.

#### **The Unified Application of the Income Tax Law**

A consistent and unified application of income tax law is foreseen for all citizens, private enterprises and corporations. That also applies to those who are self-employed or have second occupations. The earlier favoritism for certain occupations and activities should be eliminated in the interest of the equality of all citizens.

Based upon the requirements of the market economy and international trends, further reductions in the tax burden should be considered.

It is moreover necessary to introduce a unified wage tax for the entire work wage, which is derived from the new income tax rate. In this way the differential between production workers and those receiving salaries could be eliminated and the principle of tax equality maintained.

Serious consideration must also be paid to the taxation of collectives, including the Agricultural Production Collective; to property tax, inheritance tax, the structure of tax assessment, tax collection, and tax auditing as well as financial jurisprudence.

The realization of this multiplicity of tasks requires strenuous work, especially since present developments leave us little time. Therefore the solution demands many thoughts and ideas.

We ask that our readers provide us with thoughts, ideas, critical observations and suggested solutions to the problem of tax reform as well as comments on the efficacy of the changes introduced so far. A discussion in FINANZWIRTSCHAFT can surely contribute to the finding of favorable solutions. Please send us your tax questions as well to be answered in this periodical.—The Editorial Staff



## GERMAN DEMOCRATIC REPUBLIC

**Sale of Western Goods for Hard Currency To Be Liberalized***90CH0172A Vienna DIE PRESSE in German  
25 Apr 90 p 4*

[Article by Tibor Fenyi: "Hard Currency—Hard Fight. Hungary To Liberalize Sale of Goods for Western Currency"]

[Text] Budapest—Those were the days when the Hungarians brought traffic to a standstill in their search for freezers, televisions, or hi-fi equipment. With a stroke of the pen the Hungarian Finance Ministry annulled the lucrative sales by Austrian store owners by limiting the amount of foreign currency taken out of the country to \$50.00.

But even if the Hungarians cannot go to Vienna, the Austrians are coming to Budapest in droves to lay siege to the Hungarian ministry of commerce. The reason is that they would now like to go into business here and sell their goods for hard currency in Sopron, Győr, or in Budapest itself. They firmly believe that everyone stands to gain from such an arrangement: the seller by hanging on to his customers; the buyer by sparing himself the expense and effort of taking a trip and, finally, the government, by obtaining added tax revenue.

Just the same, about 300 applicants were turned down between November 1989 and April of this year. The Finance Ministry did not wish to issue licenses to more shops which sold goods for hard currency. To be sure, this has helped the already operating 400 stores or so owned by a total of 200 firms to acquire a monopoly position. Sales last year are estimated at around \$250 million.

The opponents of hard currency transactions claim that continued proliferation of such shops could create a dual currency system. Poland where scarce goods can only be purchased in hard currency is cited as an example. This puts people who have Western currency at their disposal at an advantage while black market prices continue climbing rapidly.

Others say that Hungarians obtain scarce goods outside the country in any event. It would initially be sufficient to introduce regulations that would prevent Hungarian goods from being involved in hard currency transactions because some producers might attempt to create an artificial scarcity of certain goods by selling their products only within the network of these hard currency shops.

The contesting parties are the finance ministry and the ministry of commerce with the latter favoring the more liberal point of view. But even this ministry's officials would not be altogether happy if fully Western-owned firms were allowed to open stores where hard currency

transactions would predominate—because they would be in a position to collect virtually all the currency profits.

For instance, if an Austrian enterprise were to own a company in Hungary, too, it could buy goods from itself. In view of the high overhead costs in Hungary that company would not earn any profits and, as a consequence, not be liable for taxes. For this reason, ways are being explored to lock foreigners out of this business in some "elegant manner."

Since the finance ministry came in for heavy criticism over the past few months, it submitted a liberal program to the cabinet which places no further limits on the expansion of the network of hard currency shops. Only the above-mentioned fully foreign-owned firms would be excluded but as of now no one knows how this will work. It would be difficult to proceed in a way conformant with a market economy. A 1988 law stipulates that foreigners may engage in all types of economic activity that is not expressly prohibited by law.

While the debate goes on in Hungary, the Hungarians continue to go shopping in Austria. There may be fewer of them than in the euphoric days shortly after the introduction of the "world passport" but they are still spending billions on the other side of the border. An announcement by the Hungarian National Bank makes it plain that they may continue to shop for a good while longer. The bank has prepared a three-year program to achieve forint convertibility.

It may be that the Hungarians will even be making Austrian businessmen happy after that. Peter Akos Bod, the principal economic expert of Democratic Forum which won the first free parliamentary election since 1947, has said that while convertibility is a priority goal, it is more of a dream than reality in the short term. In other words: hard currency shops will continue to exist and it will be a long time before the businessmen along [Vienna's] Mariahilferstrasse regret having spent their money on letting their employees learn Hungarian.

**Count Bethlen on Economic Program***90CH0169A Vienna DER STANDARD in German  
26 Apr 90 p 18*

[APA [Austria Presse Agentur] report: "Hungary Checks Cash on Hand Prior to Reform"]

[Text] Budapest—The new Hungarian Government first wants to check the cash reserves of the economy. This will take about two weeks after the new cabinet is formed. Only after that is done will it be possible to work out a responsible economic program. Istvan Bethlen, the economic and financial adviser of the Hungarian Democratic Forum (MDF) which won the election, told APA in an interview. MDF has a relative majority of approximately 42 percent in the new Hungarian Parliament

The problem of preparing a new budget is rooted in the fact that the new government does not have any reliable economic data at its disposal "after 40 years of socialism." Bethlen cites the example of foreign debt. During the past six months alone the present government has given out seven different sets of figures.

#### **New Foreign Loans**

Hungary needs fresh money and new foreign loans. There are many signs on the international credit markets which indicate that Hungary will receive loans at favorable rates.

The new government should carry out a tax reform "very rapidly," Bethlen said. There should be tax incentives for using profits for investment purposes and the Hungarian private sector should be granted the same tax breaks which thus far were extended only to foreign companies and joint ventures.

Hungary is suffering from inflation because the present government has decided that it should, Bethlen said. Inflation resulted from the introduction of free price formation without simultaneous liquidation of state monopolies. Bethlen believes that it will take at least three years to bring the inflation rate in Hungary down to less than 10 percent.

Given favorable international conditions, Bethlen went on to say, the government share in the Hungarian economy should be reduced from the present 90 percent to 30 percent within the next three to five years. MDF is banking on the inclusion of foreign capital—"the more, the better." But Bethlen spoke out in favor of orderly privatization and against the concept of "let's sell it all, no matter who buys it."

#### **Modest Social Goals**

On the subject of social programs Bethlen said that the goals would be modest at first. There is no sense talking of a social safety net "along Austrian lines." The present government has already used up all of the budget reserves. For decades, the social insurance contributions disappeared in the government budget.

Under the circumstances, genuine health insurance, pension, and unemployment insurance programs have yet to be introduced.

Frigyes Harshegi, the acting director of the Hungarian National Bank, said that Hungary capital needs for this year amount to \$2.5 billion.

At the end of last year, the Hungarian gross foreign debt amounted to \$20.6 billion, \$17.3 billion of which were medium-term and long-term loans.

Foreign claims amounted to \$3.8 billion; hard currency reserves to \$1.7 billion and gold reserves to \$479 million.

Hungary's credit agreement with the IMF calls for a maximum budget deficit of \$550 million.

Including \$1.7 billion in loan payments due this year, total capital needs amount to \$2.3 billion.

#### **Broadcast Frequency Sale Attempted Despite Moratorium**

##### **State Broadcast Monopoly Accused**

25000738A Budapest NEPSZABADSAG in Hungarian  
5 Jun 90 pp 1, 5

[Article by Geza Bankuti-Bondar: "The Springer Affair Amounts to Nothing Compared to This: The Frequencies Are Being Stolen"]

[Text] On 18 May MAGYAR HIRLAP presented the following misleading report, hidden modestly among other calls for competitive bidding: "The Hungarian Broadcasting Enterprise announces an [opportunity for] competitive bidding for the use of one free channel of the Budapest central program receiving and distribution service, publicly known as AM-Mikro, to be used for the broadcasting of commercial and entertainment programs. Participation is conditioned by a security deposit, the amount of which is 50,000 forints, i.e., fifty-thousand forints. The deadline for announcing interest is 30 days from the date of publication."

This announcement appeared barely two weeks after the new parties in Parliament publicized their very first document concerning communication policy, Attachment 4 to the agreement between the Hungarian Democratic Forum [MDF] and the Alliance of Free Democrats [SZDSZ]. This part of the agreement states that "a communication law should settle matters pertaining to publicity as soon as possible. A frequency moratorium shall continue in force until such law is adopted." On the other hand, Attachment 4 projects that from among the provisions of the communication law, "the order of licensing commercial radio and television stations" shall be subject to adoption by a two-thirds majority. Under such circumstances the invitation to bid announced by the Hungarian Broadcasting Enterprise [MMV] represents a glove thrown in the face of the two large parties. In other words: It is an attempt by a state monopoly to cut ahead of the legislative process to create an accomplished fact in Hungarian television broadcasting, and to thus become a definitive factor in communication policy.

With the opening of a single commercial TV channel? No! The detailed invitation to bid issued by the MMV reveals that altogether 14 television and the same number of radio program distribution capacities may be leased, as early as this year.

The MMV was established last January; it is one of the successor enterprises of the Hungarian Postal Service that was dismantled into three parts. Part of the huge postal apparatus which was previously engaged in television and radio broadcasting became an independent

state enterprise. The MMV inherited the legally sanctioned monopolistic situation by which it alone is authorized for the distribution of any kind of program that is broadcast.

The MMV also acquired the technical means to accomplish this; it owns the entire radio and television network, just as it does the microwave systems needed for broadcasting and a huge number of buildings. Usually, the value of this property is not revealed to the greater public, but it certainly amounts to at least 10 billion forints. (The gross value of the broadcast transmission network amounted to 2.6 billion forints already in 1975!)

The services rendered by the broadcasting enterprise enjoying a monopolistic situation are in the freely priced category. In this way it is able to establish tariffs for the broadcasting of radio and television programs at will, and thus it has become a serious factor in Hungarian communication policy already. By establishing broadcasting fees it substantially determines whether a commercial or local television or radio station becomes viable from an economic standpoint.

The MMV uses radio waves under governmental control for broadcasting, including microwave frequencies. Although the use of specific frequencies may be authorized by the state organ responsible for communications—previously the Ministry of Transportation and Communication [KOHÉM]—as long as there is no frequency moratorium, nothing has yet been said about the conflict between the ministry and the MMV. Incidentally, the ministry personnel responsible for the management of frequencies worked at the Hungarian Postal Service until the end of 1988, just as the employees of the MMV did.

Broadcast frequencies constitute a gold mine. These days about 60 applicants are on record. Most of them would like to establish commercial radio and television stations financed by advertising. A strongly capitalized television station may count on rather large profits, and in lieu of expected profits such companies are willing to pay high fees for the use of frequencies and for the license to broadcast. Last year already, the Hungarian Postal Service was willing to accommodate investors, among them for instance the Italian dollar billionaire Silvio Berlusconi. But because the press reported strong protest against the selling out of state-owned frequencies, the cabinet of the Nemeth government temporarily prohibited the utilization of additional frequencies. Later on KOHÉM, the ministry then in charge of this matter, tried twice to at least partially lift the moratorium but without success.

Accordingly, the MMV holds in its hands all those technical means and authorities needed to exploit the state gold mine it is supposed to manage, except for the fact that it is not permitted to open the truly profitable shafts. At least not on the terrain that has presented itself thus far!

### Another Gold Mine!

At present the MMV has begun working on new terrain, with the approval of the ministry. The "AM-Mikro" system named in the invitation to bid is within the territory of microwave frequencies, and not in the "Western Ultra Short Wave" or Ultra High Frequency [UHF] band used in television, the bands most frequently mentioned relative to the moratorium.

To quote from the encyclopedia, microwaves "may be utilized for multichannel communications." A microwave distribution system that could be established in Budapest would be able to transmit 21 all-day television programs and seven monaural and stereo radio programs each. The frequencies needed for this purpose were received by Hungary—and not by the ministry or by the MMV—based on an international agreement so that some day, at some time, it will be able to broadcast the programs of a Hungarian broadcast satellite which may exist in the future. These are the frequencies the MMV is trying to lease based on competitive bidding to "program producers licensed to operate a studio." For the time being it offers only a single television channel. Thirteen additional channels may be offered within six months, and similarly the "places" of radio programs, because by using the seven channels it is able to broadcast satellite TV programs to larger hotels and to 12,000 households.

"A minimum of 15 million forints" in annual leasing fees is asked for by the MMV for 24 hours of TV programming, but the "leasing fee to be offered" for the period after 1991 "must not be less than 20 million forints," according to the detailed invitation to bid. This means that if all the microwave channels are leased the MMV would cash in 1.3 billion forints in five years—"at the minimum."

This manager of state property is luring hoped-for bidders with all kinds of enticements. Users of these frequencies may broadcast "their programs during the frequency moratorium and also after that" to a large group of subscribers. "This activity," the MMV states, "does not conflict with the frequency moratorium which restricts the establishment (?) of new transmitters (?)," and "we may count on 30,000 connected subscribers (households) by the end of this year." An entrepreneur willing to invest in the development of the channel to be leased by him may have to pay a preferential leasing fee. Moreover, if the user has a studio license and everything except a studio, "based on separate agreement" the MMV "may provide an opportunity for the establishment and operation of a studio at the central location of the service."

All of this, however, may be granted only to those who pay the amount of 50,000 forints in a security deposit by 18 June at the latest, and hand in many kinds of written statements and certificates, recognize the MMV's right to select, even if such selection is made independent of the highest leasing bid, and a few more unpleasant matters that affect the pocket. At 0900 hours on 21 June

when the offers are opened, participants (but only they!) may learn at whom the MMV kindly smiles. Who may have a chance to propagate his program "by 1 September at the latest," "unless he wants to do so earlier," and who will have to wait a little bit—in case of a 6 million [forint] investment. Not even this presents a particularly large risk, because National Assembly representatives are able to debate so well that there will be no press and information law anyway within half a year. And thereafter any clever person could own the sole, truly promising television market in country: the one in Budapest.

#### **A Slap in Parliament's Face**

The MMV action surpasses by far the significance of the Axel Springer Budapest Limited Liability Corporation newspaper acquisitions which created such a great storm. This is true both in terms of the narrower aspects of communications policy, and from the general political standpoint.

The weight of the communication policy implications of this matter may be measured by considering that in this case the issue is not a few hundred thousand readers. The entire information and cultural system of the 2 million residents of Budapest is at stake. And one must be naive not to be able to see beyond the specific applicants who take part in the bidding.

At present in Hungary there is not a single television or other entrepreneur who is capable of providing programs to fill 24 hours a day in broadcast time on his own. Whoever invests between 15 and 20 million forints for the annual lease of a microwave channel despite this fact could hardly be thinking of anything other than reaching an agreement with some kind of foreign investment interest [or] media czar. Simply put, the agreement would call for "subleasing" a certain part of the programming time on the leased channel for the broadcast of foreign advertisements and other things to look at. And this is not just a specter of horror!

In part, the MMV's invitation to bid does not include any kind of restriction that would prevent "subleasing," and not a word is being said about the contents of commercial programs that may be broadcast. On the other hand, there are already a mass of examples for "subleasing contracts." Macro-Vision Limited Liability Corporation, a Hungarian-West German joint enterprise, has reached an agreement with 32 local cable television systems for the transfer of individual channels for a 25-year term. Using microwave links, Macro-Vision wants to link all cable television systems into a unified system, and intends to offer programs laced with foreign advertisements throughout the country.

From a more general political standpoint one should notice that the MMV's invitation to bid jeopardizes the National Assembly's and the government's authority. The frequency moratorium will simply become ridiculous if the MMV is able to accomplish to lease as many as 14 television channels. Since in the UHF range opportunity exists only for the broadcasting of a single

nationwide, and perhaps an additional two or three regional programs, only these were discussed in the context of the moratorium. And the future press law provisions concerning the "order of licensing" of future commercial radio and television stations will also become laughing stock, if, in the meantime, the MMV can provide the wings of ether at will to even a single television station in Budapest.

But the MMV has not yet reached its goal. Certainly, this rather clumsy attempt may be stopped even before the deadline for the submission of competitive bids expires. Undoubtedly, the government, for example, has an opportunity to extend the interpretation of the frequency moratorium to include microwave broadcasting. This would not require approval by Parliament, it would also be consistent with the MDF-SZDSZ agreement, and in the days left until 18 June perhaps even time could be found for taking this kind of step.

#### **Why Intervene?**

In the wake of the MMV action television programming would expand by explosive proportions, first in Budapest, then in the rest of the large cities of the country. This would not be a problem. But the eagerness of the state monopolistic enterprise, the jungle laws to be enforced during an unregulated period, would cast all of Hungarian television broadcasting according to their own image. Whoever is curious about the consequences of this situation should travel to Italy and see what state impotence incapable of regulating television has produced.

Private enterprise, the abundance of commercial programs, must also be permitted to prevail in television and radio. But meanwhile we must not lose sight of the fact that information is not just one among many pieces of merchandise.

#### **State Officials Respond**

*25000738A Budapest NEPSZABADSAG in Hungarian  
6 Jun 90 pp 1, 5*

[Summaries of statements made by Hungarian Radio president Istvan Hajdu and Transportation and Communication Deputy Minister Bela Doros by "K.K.": "Halt to Stealing Frequencies"]

[Excerpt] [passage omitted] [Yesterday's] article touched upon a sensitive point. We became convinced of this when we requested Hungarian Radio President Istvan Hajdu, and Transportation and Communication Deputy Minister Bela Doros to comment.

#### **The President of the Radio Is Concerned**

Istvan Hajdu, president of Hungarian Radio, regards the situation as rather serious. Lifting the prohibition on the expansion of microwave broadcasting affects television first, and does not affect radio in the short term. But it does affect radio in the long term. Lifting the ban on



frequency [allocations], and the simultaneous competition, would benefit both national media. This benefit, however is predicated on two important conditions: On the one hand, it would be desirable to establish organizing principles, while on the other hand the opinion of the profession should be taken into consideration. Not once have the people working in the field of radio and television discussed this issue in an exhaustive manner. At the same time, methods used in a cultural and economic environment that strongly deviate from the environment found in Hungary cannot be transferred directly.

The issue should be regulated in the framework of a press law, but perhaps even more so in a media law, in which the basic principles of the management of frequency allocations are spelled out following reconciliation with professional organizations and large editorial offices. Defining the functions of radio broadcasting is of outstanding significance. These are the public service function, community radio (such as for example residential, ethnic community radio), and further, channels serving educational purposes, and commercial radio. Not only the definition of ratios is necessary, so is the circumscribing of rules of competition for institutions performing various tasks, together with possible prohibitions. "Traffic rules" between these functions should be established. Matters, like for example the amount of advertising in the course of public service programs, or the amount of public service programming commercial broadcasters should accept, [or] let's say, how frequently news programs would have to be broadcast.

Since broadcasting constitutes one of the limited resources, management of broadcasting demands increased circumspection. Employees of the radio have gained much experience in this regard, and are readily available at any time to the government. They very well sense the implicit contradiction in the fact that while program broadcasting is accomplished within an enterprise form, the radio and television function is a public service institution. A virtual tragic conflict is evolving as a result, because they are unable to pay certain prices. Half of their budget is transferred to the coffers of the program broadcasters. Although this is a coincidence, the deepening concerns are indicated by the fact that a decision was reached at the Monday morning president's conference to report this problem to the National Assembly committee having jurisdiction, as well as to the transportation and communications, and finance ministers, even though at the time of the conference they [radio officials] knew nothing of the MMV invitation for competitive bidding.

#### The Minister Said "Stop"

In response to our article, Bela Doros, the transportation and communications deputy minister relieved of his duties effective on Tuesday, summoned all concerned parties for a conference at the ministry. At the conclusion of the meeting we asked him how far he had gotten.

"Thanks to the author of the article, the invitation to bid will be suspended. At the same time the moratorium will be extended to cover cable television." The expression of gratitude lacked any sarcastic overtones; the person asked complained only about the fact that this newspaper compared the MMV invitation for competitive bidding with the Springer affair, and called the Springer affair "nothing" compared to the MMV case. The deputy minister felt that this kind of assessment of the weight of the two cases was unfair. He said that Minister Csaba Siklos decided at the conference to suspend the competitive bidding process because that may violate the spirit of the MDF-SZDSZ agreement. Although the two parties did not have this possibility in mind at the time the moratorium was ordered, this solution appears to provide the most honorable path.

"Although the term 'frequency moratorium' has become commonplace, no one knows what it actually means," Doros added. The following is a verbatim quote from the 22 July 1989 issue of NEPSZABADSAG concerning this subject: "The moratorium does not apply to cable and microwave program distribution and relay systems." In plain terms this means that it should not be possible to establish new program distribution transmitters in favor of new owners of radio and television studios. The number of claimants is too great as compared to the tight opportunities, therefore the manner in which [frequencies] are made available should be determined. Aware of all this, the deputy minister said that the invitation to bid did not violate the moratorium. The microwave distribution system was licensed in 1986 and has been operational since 1987. This is how one could virtually "steal" Western television programs into Hungary from satellites. Today there are 12,000 subscribers in Budapest. They can view six or seven programs in their homes. Accordingly, this is a living, functioning network. They wanted to add yet another [unit] to this network, because that is the number [of units] that can be added. This possibility exists with respect to all cable TV networks, insofar as they have a free channel. In this way any one of the cable TV networks may expand, and this is why the prohibition had to be extended to cover these networks.

"Is the monopoly of program broadcasting a characteristic phenomenon in the world today," we asked the deputy minister. In his response he confirmed that this situation occurs most frequently. As a matter of explanation he added that, for example, from the top of the Kekes mountain they are able to broadcast three national programs. Costs would multiply if these three programs would have to be relayed from various locations. Accordingly, the question pertains not to the issue of whether the monopoly of program broadcasting should be maintained, but rather to the matter of whether the requirement for economical and efficient operations prevails. The task of controlling this matter should be accomplished jointly by the state and customers using these services. The goal is to accomplish that the monopoly should not be able to dictate. A series of monopolistic

situations has evolved in television broadcasting; program distribution is only a link in this chain. In the deputy minister's judgment the MMV could have reached an agreement with anyone without knowing, but it chose the more honest solution by issuing an invitation for bids instead. The assumption that the winners of the competition would be foreigners by all means appears to be untrue and farfetched.

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In last night's TV news Ferenc Kulin, chairman of the National Assembly cultural committee, stated the following in regard to the minister's decision:

"I could have thought of a harsher decision. Namely, the moratorium did not prohibit certain technical solutions, it rendered decisions concerning issues that fundamentally affect the future of Hungarian television. No partisan action should be started until the parliamentary committee designated for this purpose makes a decision that reassures everyone regarding the manner and purpose in which frequencies that are not yet operational may be used, and regarding the ratio of foreign capital, if such capital is being used."

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We may argue with Bela Doros in regard to one matter only. It is possible to accurately tell what the spirit and the letter of the moratorium means.

Indeed, the moratorium does not apply to microwave broadcast distribution and relay systems which deliver programs to a few persons at specific locations. But the MMV intended to lease broadcast channels, which could be used for the broadcasting of television programs to the public at large, to anyone. And even the letter of the moratorium applies to this kind of thing.

The spirit of the moratorium radiates a will according to which not a single interest group, not even the MMV, should be able to expropriate the political, technical, and profit opportunities implicit in broadcasting, to the detriment of the public interest.

Minister Csaba Siklos' decision is consistent with both the spirit and the letter of the moratorium.

## POLAND

### Kvaerner Joint Venture: Ownership, Employee Issues Discussed

90EP0644A Oslo AFTENPOSTEN in Norwegian  
7 Jun 90 p 22

[Unattributed article: "Kvaerner Near Goal With Gdynia"—first paragraph is AFTENPOSTEN introduction]

[Text] Only a few formalities remain before the Kvaerner Concern can sign a cooperative agreement

with the Gdynia Shipyard in Poland. Yesterday the Norwegian delegation visited the gigantic shipyard on the Baltic Sea.

Gdynia—Kvaerner must put 180 million kroner on the table to secure the largest joint venture between East Europe and a Western company. The deadline for a final agreement is 1 August.

The authorities in Poland have not yet given clear approval, but even though Kvaerner chief Erik Tonseth must wait before opening the champagne, at least he can stop tapping his fingers on the Polish negotiating table.

"The problems that remain are of a more formal nature. The practical aspects of the agreement have already been settled, as the Polish authorities have also stated in our meetings with them," Tonseth said. Kvaerner and Gdynia Shipyard will each own half the shipyard. Kvaerner will contribute \$27.5 million in cash, as well as technology worth an additional \$5 million. Gdynia Shipyard, for its part, will contribute 180 million kroner, mainly in the value of its equipment at the shipyard.

"We also assume that they will control construction and property. The authorities are willing to sell that to our joint venture company. But the law concerning privatization in Poland must be passed before we can arrange this. Consequently, we are seeking an option that will guarantee us that right," the new administrative director at the shipyard in Poland, Arnt Hana, said.

The shipyard is five times the size of the Stord Shipyard and it has over 6,500 employees.

"We are planning to expand by about 1,000 employees," Tonseth said.

When Kvaerner moves into the shipyard, the entire organizational structure will be uprooted. The inefficient Polish system will be removed and the smooth, efficient, and streamlined Norwegian structure will be installed. The World Bank is also participating in the negotiations between Kvaerner and the Gdynia Shipyard, since the bank presumably will supply most of the financing for the entire project.

### Privatization Architect Outlines Projected Goals

90EP0584A Warsaw PRAWO I ZYCIE in Polish  
No 20, 19 May 90 pp 3, 5

[Interview with Krzysztof Lis, plenipotentiary for ownership conversion, by Andrzej Jankowski; place and date not given: "The Big Sale"]

[Text] [Jankowski] Can every state enterprise become a private one?

[Lis] No. Not all of our enterprises are suitable for privatization. In the logic of a market economy, this applies only to those plants in which each of us would readily invest our money because it would guarantee us

a profitable rate of return on these zlotys. That is, if it were higher, for example, than the bank rate, in the broad sense of this word.

[Jankowski] A plant director comes to your office and says: "Mr. Minister, I have already tried everything. I let people go, I expanded export, I tried this, I tried that. Nothing works. We are going bankrupt." What is this director counting on?

[Lis] It is clear that he thinks that privatization will be one more way of bypassing the system, a way that will make it possible for him to escape rigid budget limitations. He wants to cheat the state treasury and honest taxpayers. In the 70 applications for privatization which I have received thus far, unfortunately I have not found even one economic analysis of the enterprise, not even one program for the development of the enterprise after privatization. What dominated, however, were such things as who was to have how much percentage of the stock, i.e., who is to run the enterprise. And not who is to earn the money and whether any money can be earned there at all. It is interesting that the most active, in this regard, are those plants which thus far lived mainly off subsidies, which always managed to wrench some kind of money for themselves out of the central budget. They now see privatization as a chance of improving their market situation. In turn, there are many good and very good enterprises which are not pushing to get themselves on the list for privatization. Among the 30 to whom we ourselves went with a proposal that we look over their economic status, I often heard words of surprise: "Are we really that good? No one has told us that before." And these are really strong enterprises, which have the ability to expand and deserve to have people invest their money in them.

[Jankowski] The economic education of our society, not counting the foreign travel abroad for trading purposes, is not very high. Who will protect people against making bad investments during the process of privatization?

[Lis] The experience of other countries, and our own experience also—I am referring to recent examples with the nomenklatura companies—teaches us that there must be someone who represents the interests of society as a whole during this process. We believe that this organ should be the government, which under the control of a strong, democratically elected Sejm, would make use of certain rights in relation to the privatization process.

[Jankowski] What would these rights be?

[Lis] As a rule, we foresee two such rights. One pertains to a denial for privatization on the bases proposed by the enterprise, i.e., both by the director and the workers' council.

[Jankowski] In whose interest would this right be exercised?

[Lis] Precisely in the interest of all citizens. The government, in this case the Agency for Ownership Conversions, would exercise this right if the proposed plan does not grant equal access to the stock of the company being privatized to all citizens in our country.

[Jankowski] And the second right?

[Lis] The intervention of the Agency would also be required if the enterprise wants to privatize only in its own interest and not in the individual interest of the workers and other stockholders. That means, if the plant is weak, is doomed to failure over the long term, and is easy to predict that the people who put their zlotys into it, even if these were to be small sums, would sooner or later lose their money.

[Jankowski] What, then, is better: For an enterprise to bankrupt as a state enterprise or as a private one?

[Lis] If it were to bankrupt as a result of bad decisions by the persons who, with full knowledge, invested their money in it, then everything is alright. However, if we want the stocks of the privatized company to be distributed as widely as possible among our citizens, then as a government organ, we should give them the most complete and reliable information available, including information that it will not be profitable for them to invest their own money in it.

These types of organizations to protect citizens wishing to invest, exist in many countries, including countries with very liberal economies, e.g., the United States. In the United States not every company can issue stock. Only those companies can do so which guarantee, at least formally, that this money will be returned to the people.

[Jankowski] Despite that, there will still be some risk?

[Lis] Naturally, total elimination of risk is not possible in a market economy. At the most, we can warn, with a great degree of probability, against the purchase of something which after a certain time will no longer be very valuable. That is why I believe that the state, in this case the Agency for Ownership Conversions, which would be selling the state's assets, should have the right to say "no" in certain cases.

We must realize that the process of privatization in postcommunist states is a process without precedent in history. And that is why it can easily become blocked, e.g., by two or three notorious bankruptcies of privatized enterprises in which people lose money. None of them will ever risk their money again.

[Jankowski] Accompanying this is probably a whole range of matters pertaining to the appraisal of the national assets and the assets of a plant being privatized.

[Lis] Yes. An accurate appraisal is indeed one of the most important matters in this process. An appraisal must be made not only to ensure that the state treasury does not lose in this, but also from the standpoint of the interests of the citizens. If the price of the stock is too

high, then the rate of return will be low and the people will not gain anything from this venture. And yet they should profit from it.

Because we wish to build a market economy, which is our primary goal, we would like to attract foreign capital to Poland. It, too, could buy our stock—controlled, of course. This is one more reason for a careful and accurate appraisal of our assets and for control over the purchase of the stocks of our enterprises by foreigners.

[Jankowski] Are we prepared for this operation?

[Lis] Thus far, six training sessions have been held, during which foreign experts, including some from the New York and London stock exchanges, from Copenhagen, Montreal and Toronto, trained about 100 people. In addition, about 100 foreign-capital companies were established in Poland. In doing so, certain elements of an appraisal of the assets of the enterprise entering into a joint-venture arrangement, were applied. Therefore, we already have a certain number of specialists who are familiar with estimating methods. This number will grow as more enterprises are privatized.

[Jankowski] I would like to ask you about the tempo of privatization in Poland. How long will this process go on?

[Lis] Every area of privatization has its own tempo. The so-called small privatization can be conducted the most easily and most rapidly. If not completed during the course of 6 months, it may be at least quite far along. As we know, the object is to sell shops, restaurants, pharmacies, hotels, and finally means of production—production floors, machines and equipment. The scope of these sales should be as broad as possible. The transfer of state property to local self-governments may take place even more rapidly, which is not really privatization, but a kind of denationalization. Of 7,000 state enterprises, probably about 2,000 will very soon be transferred to territorial self-governments. Of the remaining 5,000, some—let us be honest, will have to bankrupt and should bankrupt, because these are organizational units which are simply reducing our national income. Therefore, it is in the public interest that they go under.

[Jankowski] Is unemployment, which will come as a result of this, also in the public interest?

[Lis] That is a completely different problem.

[Jankowski] Is that really true? Let us assume that an enterprise in a small town, which employs two-thirds of the residents, bankrupts. What then? In practice, this may mean the elimination of the town.

[Lis] That is why in this or a similar situation this enterprise may, and even should, be given almost free to anyone who wants to operate it, so as to at least keep the jobs. After all, a bankrupting enterprise cannot be privatized by selling its stock. However, this can be done through a direct sale of its individual assets or through a

lease arrangement. These types of cases are known in the history of privatization in many countries. For example, enterprises have been turned over to workforces who gave up part of their salaries in order to keep their jobs. We know from the professional literature that the state actually added money so that someone would agree to operate such an insolvent enterprise.

That is exactly why the future law on privatization should be very precise and flexible. It must contain safeguards against the exploitation of its provisions by a small group of persons who want to appropriate the assets of an enterprise, and at the same time it should be flexible enough so that the state treasury can, in certain situations, give this insolvent factory away almost for free.

[Jankowski] And the small and medium-size establishments, of the design-office type, for example, where the main assets are human skills?

[Lis] They can be privatized very easily and quickly by turning them over to the workers who are employed there.

[Jankowski] Why, then, is this not being done? Why are design offices employing 200 people not yet privatized?

[Lis] Naturally, this is easier said than done. Attempts were made to establish employee stockholding plans, to form companies at these places. But then the troubles begin. For example, the accommodations and land law stands in the way. Questions come up such as whether the chief designer should hold the same position in the company as the draftsman. It turned out that the chief designers are not very willing to join such companies or cooperatives, preferring to establish their own private companies. But, I repeat, these types of offices, just as all kinds of service establishments repairing mechanical or farming equipment, are ideally suitable places for forming companies made up of employees, workers, or other persons from the outside. It would be best if these were private companies—capital stock, i.e., limited liability joint stock companies are not at all necessary for this. On the other hand, capital privatization, or sale of stocks of enterprises converted into one-man state treasury companies, will proceed much more slowly.

[Jankowski] Why?

[Lis] Capital privatization can proceed only as rapidly as conditions for the success of a huge operation are created. After all, we cannot privatize enterprises at a fast rate when the basic conditions for success are absent. And they are.

[Jankowski] What are you referring to?

[Lis] Primarily to the breakup of monopolies, the stifling of inflation, the management cadre, the creation of a banking infrastructure, financial institutions assisting the enterprises and the citizens.



[Jankowski] Should we then, in 1990, be talking about dozens, hundreds or thousands of enterprises?

[Lis] Insofar as capital privatization is concerned, we can move within a range of 10 to 100. However, we cannot talk about amounts on the order of 100 or 2,000 enterprises. Any talk under present conditions about privatizing 2,000 enterprises in this way would be a conversation conducted not in the language of a specialist, a pragmatist, but in the language of an unbelieving prophet seeking a panaceum which would in some mysterious and miraculous change the face of our economy.

[Jankowski] What, at this moment, is most important for privatization?

[Lis] It is most important that this process begin as quickly as possible. That an infrastructure be formed, i.e., that an Agency for Ownership Conversion and a Securities Commission be established which would watch the enterprises to make sure that they are not issuing stock for which there is no coverage. That, finally, a capital market be established.

[Jankowski] Why is this so important?

[Lis] We need a capital market not for reasons connected with privatization. Exactly the contrary. It is privatization which is to give us the capital market. However, we need a capital market to allocate resources to the most effective places. Only in this way can we speed up the restructurization of our economy. In a modern state there is really no other way to restructure the economy except through a capital market. Without it, even if the allocation of resources is done by economic methods, this will still be only a simulation of a market. That is why until we create a capital market, we will always be using some kind of crutches. That is why any possible attempt to "Yugoslavize" the Polish economy, i.e., privatize it by methods making the formation of a capital market impossible, may be so dangerous. We would also like to see the formation of a Privatization Fund, a quasi-banking body, which would assist in the acceleration of privatization by market methods.

[Jankowski] And a stock exchange?

[Lis] According to our plans, a stock exchange, as an independent institution, should begin to function in the middle of next year. Except that it must be preceded by a law on the sale of securities, followed by the formation of a Securities Commission, and then broker self-management.

[Jankowski] Society's capital resources after 45 years of a planned economy are minimal. We are all simply poverty stricken. What is an individual supposed to use to buy stock for himself when we know that 90 percent of his income has to go for living expenses?

[Lis] This is indeed a very serious problem. Money in a market economy appears primarily from credit. The problem is that this credit should not flow back to the market in the form of cash, because this would begin

another spiral of inflation. Therefore, the circulation of credit money intended exclusively for the purchase of stocks of privatized enterprises must be blocked. This year we suggested that part of the workplaces' profits be paid in the form of bonds, which in time could be exchanged for stocks. However, for next year, we wish to propose the setting up of personal accounts for employees, into which part of their salary from the enterprise's profits will be transferred for the specific purpose of purchasing stock. Of course, every employee would decide for himself as to which stocks he would invest his money in.

In order to hasten the investment process and reduce the risk, we have suggested that Joint Investment Societies be formed.

[Jankowski] What role would these Societies play?

[Lis] They would be established in the form of joint stock companies by reliable socioeconomic organizations such as trade unions, economic societies, socioeconomic organizations. The employees of all state enterprises, not just those that have been privatized, could, out of the money generated from profits, purchase the stocks of the Societies. In buying these stocks they would also be buying the stocks of many enterprises in which the Society would be investing.

[Jankowski] How would the employees benefit from this?

[Lis] On the one hand, they would have the advantage of professional supervision over a private enterprise on behalf of precisely those small stockholders. The Societies can also play an important role in reducing the risk of investment. It is a fact that genuine bankruptcies occur in Poland. If the Joint Investment Society, using my contribution, bought one one-thousandth of a stock in 100 enterprises, then even if ten of them bankrupted, I would not really lose on my venture.

[Jankowski] But I still doubt that society will have the money with which to buy state assets.

[Lis] We must constantly remember that privatization is not a one-time action. The capital invested in stocks will produce the next capital. All kinds of ways will be permitted to finance the purchase of securities, including certificates for employees in the budgetary sphere.

[Jankowski] Does it not seem to you that the draft law on privatization, which you coauthored, gives too many rights to the Agency for Ownership Conversion and its president?

[Lis] Sir, the primary goal of the Agency is to sell the state assets to private hands, and not to block this process. The moment the stock is sold and ownership changes, the rights of the Agency and its president in relation to the enterprise expire completely. We are not talking here about some kind of ongoing management of the plant or company by the president of the Agency, because after all, the process of privatization itself will be

privatized. Companies which specialize in this, e.g., investment banks, will be concerned with this. Anyway, the privatization plan should be prepared mainly by the enterprise itself. The Agency would not be able to independently prepare the privatization of particular enterprises. We can only assist and advise, but not control.

However, the Agency needs the rights given to it so that it can say absolutely "no" when the interests of the state treasury or its citizens as a whole are endangered, when a state enterprise submits a proposal for privatization which does not fit into the framework of the law and aims only at granting rights to a certain group of people. In this sense, the Agency is to be a policeman, protecting the citizens against the takeover of their assets. And who, in a democratic state, is afraid of a policeman?

[Jankowski] Thank you for the interview.

## YUGOSLAVIA

### Simultaneous Reform of Banks, Economy Needed

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in Serbo-Croatian 4 Jun 90 pp 27-29

[Article by Vladimir Grlickov: "Restructuring With Whom?"]

[Text] Recently the restrictive monetary and credit policy has been sharply criticized, and it has even been accused of being the main culprit behind the illiquidity of the economy and the banks that has occurred, and the drop in economic activity. Views are changing. Once complimented as the main anti-inflationary lever in slowing the growth of prices, it is now being designated as the main cause of slowed purchases and a low rate of circulation, unpaid personal incomes, unpaid bills, etc. Without rejecting the arguments being presented against the restrictive monetary and credit policy, especially the assertion that everything that is potentially a factor (in production, personnel, and intellect) in reform changes and the restructuring of the ownership of the economy and banks may be destroyed with its "help" (through bankruptcies)—it seems that this criticism forgets two things. In the first place, the restrictive monetary and credit policy cannot be the only thing responsible for illiquidity and the drop in economic activity, because the consequences are also occurring because large redistributions are taking place in favor of public consumption, which is not staying within the limits of what was agreed upon in Yugoslavia and in relations with the IMF, and in favor of personal incomes (in some republics, in spite of all the proclamations, the so-called indexation has been retained). In the second place, the restrictive monetary and credit policy cannot be responsible because it adhered to the framework established, with the intention of supporting the restructuring of the ownership of the economy and banks out of real sources (the budget and foreign capital).

The process of ownership restructuring is taking place very slowly, and it actually does not exist, as can be seen from the clear indications that everything is being postponed until the second half of the year. After the federal government presents its new program, which, along with a new anti-inflation concept, abandoning the current administrative instruments of control (limits, freezes, etc.) and proposing new market-based ones—would also offer a model for transforming the ownership of the economy and banks. It is difficult to assess what kind of changes these will be, although some conclusions may be drawn on the basis of everything being said at various meetings (the SFRY Assembly, and the academic conference at the JIK [Yugoslav Export and Credit] Bank).

### Limited Responsibility

The restrictive monetary and credit policy, with controls on prices, the exchange rate of the dinar, and personal incomes, was not able to "revive" economic activity for the simple reason that it is never feasible to achieve the two goals—curbing inflation and stimulating activity—at the same time. Consequently, in contrast to the criticism being directed at it, the effects of its restrictiveness should not be viewed twofold. If one undertakes to curb inflation, then the assessment by the National Bank of Yugoslavia [NBY] (Zarko Trbojevic) and the IMF mission stands: it was as restrictive as was necessary to curb inflation.

And the excessive amount of restrictiveness, which naturally contributed to decreasing economic activity against all expectations, was also a consequence of the fact that in a way it had to take over the anti-inflationary role of other sectors of economic policy in which the established framework had been "broken through." For example, public consumption in the first quarter, measured by the income method, amounted to 61.5 billion dinars, which is almost 10 billion more than tentatively planned; and 76 billion dinars was paid for personal incomes, which is also more than expected (18 billion per month). Accordingly, these are the sectors of consumption which were "broken through" in the republics and provinces, because the federal government, i.e., the federation, has no influence over them except through the federal budget, the only one to stay within its limits; they are in the hands of the republics and provinces, which can only adopt corresponding measures. Consequently, the primary responsibility for the excesses in these sectors lies with the republics and provinces. Naturally, pointing out these excesses in the area of fiscal policy, where the government, i.e., the federation, does not have any influence, could also be an additional argument in favor of the proposed changes to the constitution—although it must be clear that changes to the constitution will not happen quickly.

What should be done immediately, under the existing conditions, in view of the unfavorable trends in public consumption? Perhaps what Stanko Debeljak proposed in the SFRY Assembly could be considered—having the

federal government use the existing mechanism of indirect (consultative) influence on the republics and provinces through the Assembly. Why the government has not done so to date is a separate problem. Perhaps it is because the government itself does not trust that consultative mechanism.

The federal government and the NBY can be criticized, however (Franci Gerbec), for not providing good estimates in the area of monetary and credit policy. For example, they underestimated the monetary effects of the convertibility of the dinar (financing the growth of foreign exchange reserves), so that the entire burden of the restriction fell upon the banks and their investments. This assertion also does not contain the whole truth: for example, the restrictions on investments by banks were applied, among other things, because they (investments and unpaid loans with interest) virtually financed the enormous growth of personal incomes at the end of 1989 and the beginning of 1990.

Of course, in assessing the effects of monetary and credit restrictions, one should bear in mind that they were considerably moderated by the method of the so-called atypical trend in foreign exchange reserves; the economy virtually used them "invisibly" in favor of economic activity. The large growth in foreign exchange advances and open letters of credit (a total of \$2 billion) will probably be at the expense of the foreign exchange reserves. Naturally, this way of "reviving" the economy can also be viewed favorably, as "coping" with harsh restrictive measures. The problem, however, is that this is happening under the conditions of the existing production and ownership structure, changes which have been postponed until later on.

In any case, the speed of the revival of economic activity depends on these changes; we are not thinking only of the revival of current business operations, but also of the commencement of a new investment cycle. One should not expect that the old practice will be repeated and that the NBY will play a crucial role in reviving economic activity and investments. This is not only because it is an inappropriate and inflationary source, the use of which would certainly cause the collapse of the reform policy (in the sense of the saying that "When the printing press in Topcider is operating in several shifts, the governor has to go on vacation"), but also because it involves rejecting the basic market principle that the national bank is exclusively concerned with liquidity and the stability of the national currency. That is why one should not count on the primary issue as a source for financing investments: only real sources from capital formation, savings, and foreign capital can be considered.

### Wrong Order

It is clear now that the property restructuring of banks and the economy, primarily through securities and shareholding capital, is a fundamental prerequisite for an influx of fresh foreign capital and the commencement of a new development cycle. At any rate, the problem of

the enormous sums of unpaid loans (with interest), which amount to more than 30 billion dinars, cannot be solved otherwise. Consequently, a way out is being sought by converting these loans into owners' share contributions, payment for which (dividends) depends on the commercial success or failure of the enterprise in which new capital is being invested. Naturally, the problem pointed out by NBY Governor Dusan Vlatkovic is a separate one. The existing ownership structure of capital is extremely unfavorable, because it lies, with a constant tendency toward growth, in the hands of states and citizens, while the economy, which in any case has a shortage of it, is constantly falling behind. That is why any restructuring of ownership should take that fact into account, and perhaps immediately do something to return somehow to the economy the funds withdrawn from it, which currently "figure" as deposits by the states. Otherwise, without such a measure, what Stanko Debeljak clearly warned about in the Assembly discussions will happen. If the money is not returned to the economy, or if there is even a possible intervention through the primary issue, an unpleasant situation will arise in which most of the economy will be bankrupt under the existing regulations. There actually will not be any enterprises that could be considered for production and ownership restructuring. The danger is as follows: if one waits for the second half of the year, with today's policy of "drawing out" money and monetary restriction, all of the "patients" will be dead and there will not be any foundation for carrying out the second half of the reform.

The fact that restructuring is overdue has also been pointed out by Slobodan Komazec, a professor at the Split Economic School. In fact, he rejects the concept that aims first at restructuring the banks, and only then the economy, because the essential problems are in the economy—without capital of its own, with 30 billion in losses, and illiquid entities that employ over 3 million people. This means that the process of consolidation and ownership restructuring through shareholding capital should start with the economy, with fresh capital coming into the hands of new, capable owners. Today's "dead" capital, through mortgages and a mechanism for collateral, could be a basis for obtaining "fresh" money and modern technologies, without which Yugoslavia can hardly participate in European integration processes.

All of this does not mean that the banks should be left in peace, because there have not been any substantive changes in them, in spite of the already proclaimed stock system. That is clear if one looks at the structure of the funds in the banks. Only 17 percent of the deposits are owned by the economy, while all the rest belongs to states and citizens. At the same time, the economy uses 80 percent of the total credits (and as much as 97 percent of the short-term credits). That is a system that draws capital out of the economy in order to return it to the economy again, through the deposit and credit mechanism. A role in this is also played by today's mechanism for control by the NBY, which exhausts first the banks,



and then the economy through the discount rate and the mandatory reserves. Of course, as observed by Milutin Cirovic, a professor at the Belgrade Economic School, that does not happen without a boomerang effect upon the banking system—there is a weakening of financial discipline and the illiquidity of the economy is also transferred to the banks.

It is obvious that new changes in the banking system (the Law on Banks) will be necessary. Any changes in the structure of ownership in the economy will simply require this. Capital invested in a bank has to have an owner, and this, of course, will also lead to a change in the system of management. Only then will banks become market-oriented and entrepreneurial institutions whose goal in operating is a profit and the provision of a dividend to their investors. Furthermore, it would be an innovation if a bank would also have, in addition to the basic capital, its own capital to which it does not have a right today.

Naturally, any changes in the banking system would not end with this. That is because today there cannot be any market-oriented and entrepreneurial bank that does not meet certain (market) criteria of operation. Without them, a bank usually cannot obtain a permit to operate and a right to register with the court. In this regard, this last action (court registration) may appear to be an unimportant detail and a legal formality. That is not the case under our conditions, however. Registration of a bank is not an ordinary act, as it is viewed here today, but rather has a market significance of monitoring work and operation. Specifically, the bank's founding charter is deposited with the court, along with the signatures of authorized individuals and a statement of responsibility if manipulation occurs and a bank, for example, adopts a new statute besides the official one registered with the court.

One can also see that the existing concept of restructuring the banking system before restructuring the economy is faring poorly from the fact that there has been no agreement in the Assembly on accepting a model of financial rehabilitation through federal securities (bonds). The intention of conducting financial rehabilitation in accordance with market criteria, with ownership changes at the bank and with the acceptance of securities as instruments, is not being carried out, because of the well-known defects of the existing system of consultation. Everyone wants to "win" as much of the rehabilitation funds as possible, while avoiding substantive changes. For example, it is requested that undeveloped areas receive special treatment in financial rehabilitation, because the banks there are in the most difficult position. While we do not dispute that these banks really do have more difficulties, it nevertheless seems more important to surmount the territorial aspect in rehabilitating them. This is because the latest, and still incomplete, review of the balances shows that banks in the developed part of the country are also doing badly. As far as the problem of the underdeveloped areas is concerned, it should be solved through a separate system (a

fund or bank for the underdeveloped areas, for example), and not through the banking system.

These are not the only problems with delaying the new type of financial rehabilitation for banks. For example, there are no distributed balances for independent banks that were previously members of associated banks that were later abolished. Consequently, despite the legal obligation, no account is being made of the succession of old obligations and assets. Under such conditions, it is difficult to enter a new system for financial rehabilitation.

However it happened, the changes in the administrative monetary-credit and banking system and in the commercial, market-based financial rehabilitation of banks have been delayed. The restructuring of ownership in the economy has also been delayed. Without that, there is not much change of a rapid influx of foreign capital and the initiation of an investment cycle. Naturally, the reasons may also be political and ideological in nature: for instance, it is awkward to make old divisions, using outmoded terms in the sense of what is socialist, while at the same time speaking about and advocating consistent application of the principles of a market economy. All of this may separate and isolate Yugoslavia, in contrast to the other countries of Eastern Europe, in talks associated with participation in specific projected loans.

[Box, p. 27]

#### Agency for the Financial Rehabilitation of Banks

The newly elected executive director of the newly founded Agency for the Financial Rehabilitation of Banks and Deposit Insurance, Jovica Kunac, informed journalists that there were still no balance data on banks' losses, but he provided approximate estimates of the amount of funds that could be available to his organization. These are federal bonds that would be used to ensure the purchase of \$2.5-3 billion in banks' bad balance assets. There is also \$250 million from the budget, as well as \$100 million that the banks were required to contribute as premiums for savings insurance, guaranteed by the federation, i.e., the NBY.

The Agency would carry out the financial rehabilitation of banks while abiding by market criteria, with capital strength being the basis not only for financial rehabilitation, but also for determining possibilities for credit expansion. Naturally, a bank would have to attain a certain capital strength and operating profitability over the long term, because it is not possible to improve something "overnight" that has accumulated for years as a loss.

Jovica Kunic does not rule out any option for solving the problem of banks operating at a loss. He does not even rule out bankruptcy (it is possible that a bank may even be liquidated, but not a business), although he mentions that bankruptcy would not be possible in every case, because the damage and broader consequences would be greater than the benefits. Financial rehabilitation would



take place along with a restructuring of the ownership of the bank (although that is a difficult process), and acceptance of the new operating rules of the market, with repayment of what has been invested by the Agency being one of the fundamental criteria. That is important because the Agency would have profit as a motive for operation; in that sense, it has been allowed to trade in the purchased assets (payment requests) of banks. That is why Kunac claims that the Agency's success will also depend on how developed the capital market is.

The government's Agency will also deal with insurance for savings, since the guarantors for them are the federation and the NBY. Nothing has changed in the system for guaranteeing savings, however. The savings are insured, and payments on that account have priority when banks go through financial rehabilitation proceedings or go bankrupt. The bank's founders are also protected from risk in a certain manner, because their responsibility for the bank's operation no longer extends to their entire property, as in the past, but only up to the amount of capital they have invested in the bank.

[Box, p. 29]

#### **Risk and Financial Rehabilitation**

In addition to the fundamental transformation of our banks into stock companies, another major project is under way, which consists of implementing articles 16, 82a, and 82b of the Law on Banks and Other Financial Organizations. The purpose of that project is undoubtedly catching up with a similar undertaking in the Western world, where international agreement has been reached on the standards of capital for banks and the degree of solvency for financial institutions. The operational basis for the implementation of this project is the NBY's instructions on the data and information that banks have to prepare for economic and financial audits.

In the West, the procedure of examining a specific situation, investigating banks' balances, and determining a schedule for application of the standard and weighting of the assets has been conducted in circles that have been

familiar with the market and developed it on the basis of a long tradition, where a high level of financial discipline has already been established, within the framework of the general environment in which banks and other financial institutions operate. In addition to the overall transitional period, specific transitional periods have also been given for the purpose of the successful completion of this project.

What are the prospects for the success of this project of ours, which applies to banks that operate in a completely different environment, where just a few months ago much of banks' assets was formed under the influence of politics, and where illiquidity affected both losers and those really responsible for progress and the future of economic development? The speed with which the project was prepared, the reliance on only the final account for 1989, which in terms of all business characteristics was a most atypical year, and the rigidity in dealing with figures and indices, indicate rather that the picture of the situation will be the basis for erroneous conclusions. We do not have any reliable indication as to whether the data collected will be only a basis for examining measures and the schedule for applying those measures, because the measures and the schedule have already been provided by the NBY's decisions on the application of articles 82a and 16 of the Law on Banks and Other Financial Organizations. Will the measures applied consist of the cancellation of permits to establish banks, and/or financial rehabilitation? Financial rehabilitation is a Trojan horse. That is why the important question is what the philosophy of this project is, and whether banks are better because the picture is worse, or not. Can one agree with the classification of assets (investments in the primary debtor), according to the laughably small size of the unpaid amount which, under the officer's "policy," has remained unpaid for over 60 days, into high-risk investments, and hope for an influx of funds from the program for the financial rehabilitation of banks, or should one advocate a classification that is suited to an active, vital attitude toward the business and development of the bank in the future?

*Dragoslav Vukovic, assistant director of the JIK Bank d.d. [Stock Company]*

## GERMAN DEMOCRATIC REPUBLIC

### Health Care Facilities Profiled

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[Report on the GDR health care system: "Not One Has Come Back"]

[Text] Some days a sweetish smell pervades the entrance hall. It comes from the corpses in the basement of the district clinic in Guestrow. Some of them had been there for some time before they were found. When this happens, a clinging and persistent cloud collects in the unrefrigerated catacombs. If a door stays open for too long, the cloud drifts upward, through the hallways, where pallid women are waiting to go into labor.

Nothing of this smell is evident on this afternoon. The air in the hallways is so thick you could cut it. At one branch-off point, there is a penetrating smell of feces. The secretary sits on a nastily angled chair in a room no bigger than two toilet stalls. In front of her, on the wall, a color print taken from the socialist bourgeois dream-world: balustrades, open stairways, the plushy interior of a five-star hotel in East Berlin.

Looking at the picture has not helped much through the years. "We are so fed up here," the woman says, "the lack of space, the cheapness, the insipidness."

The head of the clinic is a tenacious surgeon. During the second half of the 14-hour workday that 53-year-old Joachim Augsburg sometimes puts in when he cannot sleep, beginning at 0400 with a run in the woods, the gray stubble of his beard sprouts forth on his face. The gold-colored spectacles have slipped out of position. He has invited the visitor to come in. Yet now he is undecided. The workaday misery of the GDR medical system in the rural parts of the country cannot be described in a few words.

Everywhere in the 600-bed clinic, need and hardship are evident. Since the political turning point, one out of ten nurses has given up her job in Guestrow. Two wards had to be closed. Most of those who left are working in West German hospitals. "So far," thus Augsburg, "not one of them has come back."

And that includes the OP nurses, of whom every other one has left. Operations are being performed only at a reduced rate. Cancer patients and persons injured in accidents still manage to be operated on immediately in the narrow operating room. All others must wait, sometimes for months. "Anything that can be preplanned," says clinic head Augsburg, "must be put off."

The handicraft of the surgeons at Guestrow is a difficult one. There are no operating microscopes and no clip suturing equipment. Working with the hair-thin threads, which can hardly be seen with the naked eye, takes a lot

out of them. In the summer, when the sun is beating down on the roof, the doctors are bathed in sweat afterwards.

For the very reason that these conditions make their work so difficult, the pride of the physicians has increased. "We can be proud of what we do," Augsburg says. The way he says it leaves no doubt that people such as he will not take a backseat to the top talent of the West.

What was needed in the past, as the head physician describes it, was "pathological optimism." There is almost no modern equipment at the clinic. The nearest computerized tomograph is located in Rostock, 40 km away. The X-ray equipment in the basement is hopelessly outdated and, "who knows," according to Augsburg, dangerous to health. For the last 10 years, waivers have had to be granted for this equipment to be operated.

One of the most expensive devices stands uselessly in a niche. The rats living in the hospital had eaten their way through the cable conduits up to this piece of equipment and had savored all its soft parts.

Until recently, heart patients were still waiting for the EKG in a hallway in the basement, enveloped by the clouds of steam coming from the clinic laundry located a few meters away. In the case of some of these patients, it was already apparent in the humid-damp basement biotope, even without the EKG, that the organ was no longer capable of coping with every situation.

The clinic building is a Methuselah of stone. The largest rooms are occupied by 12 patients each. Open supply lines run along the ceiling of the hallways—a constant source of welcome diversion among the employees. About once a week, one of the toilet pipes bursts in the nurses' room of the X-ray ward. The young women recover to find themselves drenched with feces.

The nurses make themselves scarce. Their morale is poor. They realize now that there will be no miracle. Either they must carry on or leave like the others. This makes for frayed nerves on many occasions.

Augsburg and his doctors are clinging to the things that had had little value in the state under Honecker: the joy of achievement, the pleasure of work. The last three years, during which the GDR health care system was already visibly emaciated, were "the worst" that he had experienced thus far in his life. Even now he does not know whether the downward trend is over or whether it is only now really beginning. "We are free," he says under the empty, wind-bent flagpoles in front of the entrance, "but naked and uncovered."

Experts from the FRG, as well, who now ought to have the answer for everything, don't get very far with their knowledge. What 56-year-old Manfred Steinbach, department chief in the health ministry in Bonn, has seen in recent weeks during his travels through the GDR

reminds him of the time when "he himself was still at the clinic as a student," in Halle. "We did not expect the situation to be this bad," he confesses.

Half of the 543 GDR clinics date back to the 19th century. Experts of the German Hospital Institute in Duesseldorf have determined that approximately one-third of the buildings are so run down that it would not pay to renovate them. DM30 billion will be needed to bring the hospitals in the East up to the level of the West.

The "spatial and apparatus shortcomings," according to Frank-Ulrich Montgomery, chairman of the Cologne-based clinic physicians' union Marburger Bund, are "so striking that by Western standards we would probably have to close most of the East German clinics, polyclinics, and state practices immediately." Not even in the intensive care units. Professor Martin-Michael Arnold, chairman of the Council of Experts of Concerted Action in the Health Care System, determined during his visits to our neighboring country, were the most essential hygienic standards observed.

With all the signs of dismay, visiting doctors from the West described what one after the other they had seen in the health care facilities of the GDR. Mold and rust blossomed in the clinics. The supply pipes dripped. Sanitary facilities defied description. In the ward kitchens, there were signs warning of rat poison. All three large clinics in Dresden, for example, according to Heinz Lohmann, planning expert with the health office in Hamburg, were structurally in an "indescribably poor condition." Roofs and windows leaked water, and water even collected in the lamps in the operating rooms.

For decades, doctors in the GDR and their patients have been on familiar terms with sparsity. To date, there are only 20 computerized tomographs in existence in their clinics (compared to 636 in the FRG). More serious in day-to-day operations is the nonavailability of the so-called midlevel medical technology. Ultrasound equipment, flexible endoscopes, or automatic laboratory equipment are "absolute scarce commodities" even in the large clinics (Lohmann). In simple X-ray technology, the physicians in the East are 15-20 years behind the current state of the art. But old glass syringes, spatulas, one-time scalpels, or enameled vomiting pans, as well, are disinfected over and over again and reused—a state of affairs that "would give any Western hygienist fits," as a dismayed observer put it.

Approximately 13,000 employees of the GDR health care system—doctors, dentists, nurses, and orderlies—had resettled to the West as of the beginning of May. In some areas, the provision of medical care is therefore a touch-and-go proposition.

At the university clinics in Leipzig, 17.5 percent of the doctors and 21 percent of the nurses are gone. Intensive care units were closed. "The personnel remaining," Professor Gerald Leutert, prorector in Leipzig, fears, "cannot go on much longer under these conditions."

According to the GDR physician, operations are still being carried out only at "great risk" in several clinics in the city.

The bloodletting of personnel has left its mark, regardless whether in Dresden, Halle, or Karl-Marx-Stadt. In several kreise, medical care has practically collapsed. In the psychiatric clinics of the GDR, as well, as 18 clinic heads recently pointed out, the shortage of personnel is now "approaching the painful level and beyond."

Now they are paying the price for the fact that, for decades, the former rulers paid almost no attention to the health of their fellow citizens and to the working morale of the health care employees. Just under seven percent of all employees in the GDR, after all, were working in the health care sector as of the end of last year. The distribution density for dentists is clearly greater than in the FRG, that of the doctors approximately the same (GDR: 25, FRG: 29 per 10,000 inhabitants). While the population of the GDR is comparable to that of North Rhine-Westphalia and the total number of clinic beds is less in the GDR, twice as many nurses are employed there (120,000) as in North Rhine-Westphalia (60,000).

But the pay of the health care employees was poor; before the political turning point, nurses earned an average of about M 800, less than a laborer. Resident physicians got M 1200, while head physicians seldom earned more than M 2,200 per month. All health care employees were worn down by an almost Kafkaesque paper war and the feeling that they were not sufficiently appreciated by the "party and state leaders." And this fact was not altered by the decorative titles—ranging from "medical councillor" to "meritorious doctor of the people"—that they were given.

The inner erosion began long before the political turning point. Qualified physicians hired themselves out as truckdrivers, musicians or waiters and had more money in their pocket at the end of the month than did their clinic colleagues. A large number of physicians entered the health care bureaucracy and for that reason can hardly still be considered for the treatment of patients.

Nurses and orderlies have run out of patience. Their job is physically more demanding than in the West. They lift the patients from their beds, prepare the plates at mealtime on the ward, wash the dirty dishes, and after six hours of OR duty wipe up the blood from the floor of the operating room. After work, they often spent hours "searching for food" in the queue-up state GDR.

The lacquer that the ideologists have applied is flaking off everywhere. "Achievers were supported, non-achievers got nothing," says the head of a church-sponsored facility for the handicapped in Rostock. Handicapped persons and those in need of care stood at the end of the line in the GDR. The personnel in the institutions had to serve as whipping boys. "All of us are suffering from circulatory disorders," one of them says. "Crying jags in the kitchen" were the order of the day.

Blended in is a depressing comparison: "We treated the people like in a concentration camp."

Orthopedic University Clinic, Halle: To the rear of the building consisting of a number of smaller structures pieced together, the ground is dotted with mud puddles. Behind the dirty windows of the basement, a prosthesis maker has his shop.

Likewise below ground level are the rooms of the physical therapy department—a small gymnasium, a couple of treatment rooms, a small kitchen for the nurses, a somber swimming pool, as big as four table tennis tables. The stucco is peeling off the ceilings. The patients are sitting on worn-out furniture while waiting to be called into one of the cramped, musty rooms.

In the four operating rooms of the clinic, the team of 20 physicians together with the nurses work at an unavailing task: 2,000 operations a year, ranging from hip joint to cancer operations. Twice this many would be needed, and would also be possible, says the director of the clinic, Werner Hein.

At university clinics such as this, like everywhere in the country, problems are piling up. The smaller facilities in the districts and kreise are overtaxed. Often they pass the patients on to the next larger facility. This is "inhumane," Hein feels, particularly when he has to tell a 75-year-old patient that she will get her new hip joint but only after three years. The doctor must have a thick skin for the reply: "But I'll be dead by then, doctor."

One day, Hein fears, someone will come along "who will simply close the clinic." There is some substance to this: "The nurses are exhausted, simply exhausted," says the 46-year-old doctor and nevertheless spurs his people on incessantly.

The centralistic structures of the nightmarish state no longer work. The head of the clinic does not yet know where he will get the money for the "threaded rods" that he needs for the bone operations. To be on the safe side, he is proceeding on two tracks: Hein has ordered them from the procurement center in Leipzig and also directly from the manufacturer in Ulm. He feels that "if precisely phased plans" for the mobilization of the GDR health care system are not formulated soon, the "vacuum" which now exists at his facility as well as at other clinics will turn into a "catastrophe."

Hein has not given up hope. "They're not going to let us collapse here," he says, most likely in an attempt to bolster his own courage. Money for new buildings and equipment is needed. There will be no shortage of the "software," the professional ability of the GDR physicians and the GDR nurses. For already in the past, after all, for "high-performance medical work atop a coal pile," the doctors in the East have done well.

A few streets further is the clinic's perioperative department. Rubbish in front of the 110-year-old building shows that here the craftsmen have already begun their

work. The pile with the torn out windows and doors is slowly turning into compost. About a dozen glassy-eyed patients lie in the beds here, some are still sleeping off the anesthesia. They were operated on this morning, and tomorrow morning the orderlies will wheel them to the worn out, dirty elevator and across the dusty interior courtyard to the ward in the main building.

The head of the clinic disappears for 20 minutes into the room occupied by a single patient. A short time before, the head physician diagnosed the early stages of a stiff neck in this patient, and he is afraid that he may have an infection from the operation that morning. The word "meningitis" can be heard several times during the subdued conversation. The young ward doctors run with ever new containers into the room into which Hein has disappeared. When he comes out again, the effusive man has become pensive and withdrawn. In situations such as this, he says, once he has pulled himself together, he must always ask himself: "Do the complications have something to do with you, are they an act of God, or were they the product of circumstances?" On occasions like this, he is obviously burdened by the limitations of his work. Intensive care, for older patients, for example, who have lost a lot of blood during the operation, is not available in the observation ward. The "limit of what can be justified" is often reached, "sometimes exceeded." Machines for artificial respiration, such as are immediately available next to the beds in West German clinics, do not exist here. If one of the peacefully dozing patients suddenly required artificial respiration, "it would be the end."

People in the GDR have learned to live with the privations in the health care system during the past decades. Under the SED [Socialist Unity Party of Germany] regime, only about five percent of the GDR budget allocation for social services went each year to the health sector, less than half the corresponding share of the budget in the FRG. Roughly 50 percent of the expenditures for health care were paid in by the insured persons and their employers in the form of their contributions, with the steadily increasing balance being funded by the state.

Despite this, the GDR has one of the most ambitious prevention and prophylaxis systems in the world. In the medical science field concerned with baby teeth, dentists in the West cannot hold a candle to their colleagues in the East. A "fact not exactly flattering for us in the FRG cannot be disclaimed," thus the resume given in the critical dental journal DER ARTIKULATOR in mid-May: "The GDR produces the better teeth." The inoculation programs of the GDR, as well, were praised by the World Health Organization, as was epidemic prophylaxis, most recently successfully employed in connection with AIDS.

Because modern diagnostic equipment is not available, the GDR doctors are frequently masters in the basics of their profession: "Anyone who can diagnose pneumonia without an X-ray," explains Ellis Huber, president of the



medical society in West Berlin, "is better than a doctor who can do this only with the help of X-ray equipment."

All things considered, it was the gaps and the shortages that predominated. Polyclinics and outpatient clinics, responsible for the ambulatory care of the citizens, resembled "anonymous health factories," Berlin doctor and cofounder of the (GDR) Virchow-Bund [Virchow Association], Harald Mau, now complains. The ward doctors changed very often, so that a personal doctor-patient relationship could rarely come about.

House calls were not customary in most districts and kreise, nor in many of the larger cities, since the SED state lacked the money to provide the 9,600 general practitioners with their own automobile.

For decades, the guardians of the party had rigorously pursued the nationalization of the medical field. Of a total of more than 54,000 licensed doctors, there were only a few hundred doctors and dentists left at the end who had their own private practice. Of the 473 practicing dentists in the GDR having their own treatment chair in 1989, for example, one out of four was over 75 years old.

Along with the 466 state-owned hospitals, there were (according to the figures for 1988) 75 denominational and two private clinics. They were practically indistinguishable from each other as far as medical service was concerned. In the training received by nurses and orderlies in the GDR, the primary emphasis was placed on basic care, while specialized medical knowledge was neglected. Licensed doctors do work which in the West has long since been delegated to nurses and orderlies. As the absolute limit, the nurses and orderlies in the medical care field of the Honecker state also had to scrub the floors and wash the dishes. The paralyzing hierarchical chain of command from the health ministry in East Berlin to district and kreis doctors and down to the resident physician at the hospital bed remained operative right up to the end. "The worst thing," according to a GDR doctor at an 800-bed clinic in southern Thuringia, "was the chaotic planned economy, with which we doctors had to do battle day in and day out." All told, eight different ministries considered themselves responsible for the "guidance" of the health care system, even state security general Erich Mielke.

The heads of clinics had to concern themselves with such things as getting roofing tarpaper, window panes, and craftsmen. They often had to wait years for urgently needed equipment, and every two years they had to resubmit the request forms, in eight copies each. Letters addressed to the country doctor got sidetracked at the next higher kreis clinic, and the decision whether or not to procure breakfast boards was made by the senior members of the Council of Ministers in East Berlin. Sought after material intended for one-time use, such as hypodermic syringes and needles, collected dust in the basement, often by the boxful—because they were the wrong size.

At the 2,000 state-owned pharmacies, the employees stood in front of empty shelves during influenza epidemics. GDR doctors went to their patients with long lists of medications. Specified in these listings were all the preparations which happened to be unavailable at the moment. At the same time, medications stood outside in the rain elsewhere because of a lack of storage space.

Until recently, the filling material used for tooth cavities was silicate, "a product of the 1930's," according to Walter Kuenzel, director of the stomatological clinic in Erfurt. Likewise "antiquated," in the opinion of the experts, was the entire field of prosthetics, ranging from prostheses and wheelchairs to hearing aids and aids for incontinence.

Proof of the fact that four decades of socialized planning and the postponement of shortages left their mark on the health of the East Germans is also borne out by statistics.

Residents of the FRG, according to these statistics, live three years longer than women and men in the GDR. Until the mid-1970's, the curves for the two republics were practically congruent. Since then they have diverged. In a comparison with 24 European countries, the GDR comes in only in 18th place (men) and 19th place (women). "Portugal, Italy, or Greece have left us behind," GDR medical sociologists point out with reference to the leveling out of the life expectancy curve, "and that is a sad development."

The heart and circulation wear out more quickly in the East than in the West. Per 100,000 inhabitants (between 30 and 69 years of age), 340 men and 123 women died of heart and circulatory problems in the FRG in 1985. In the GDR, the figures were 407 and 186, respectively.

Restricted in their possibilities were the doctors at the five GDR heart centers. Only 17 of 100 patients with heart ailments were scheduled for operations—provided their damaged muscle allowed them to wait. Especially patients from the smaller cities had almost no chance. Behind the bare figures of 2,690 heart operations and 15 heart transplants carried out in the GDR in 1989, there lies buried for those in the know, such as surgeon Karl Friedrich Lindenau of Leipzig, a thousandfold "tragedy." In the field of heart surgery, the physician states, the GDR is a "developing nation."

The figures for cancer rose within three decades (1955 to 1986) by 44 percent. The frequency of lung cancer, for example, among residents of the poison belt Halle-Merseburg-Bitterfeld-Leipzig was far greater than in other areas.

One out of every six patients of the country's clinics, in addition to the ailment for which he was brought in, picks up an infection there. With one out of 10 patients who dies in the clinic, it is the infectious hospitalism, i.e., the infection picked up during the stay at the hospital,

that is the "primary cause of death or a factor contributing to death" (according to hygienist Guenther Burger of Dresden).

Abuse of medications was determined in one out of ten, or, according to another calculation, one out of seven, GDR citizens. Wanted by the users of the habit-forming "happiness bringers," as in the West, are sedatives and mind-altering drugs, analgesics, sleeping pills, and laxative tablets. Just as large is the number of people who have taken up drinking in the dreary monotony of daily life in the GDR.

No end in sight despite the political turnabout: "People no longer sit in our waiting rooms because they are really physically sick," Professor Hans-Egbert Schroeder, chairman of the doctors' association Virchow-Bund, reports, "but rather because mentally they have reached their limit, they are completely fagged out, drained."

Representatives of the Virchow Bund, so as to ward off an emergency in the clinics and practices, are demanding a doubling of the public health budget. But, for the time being, growing unemployment and the migration of health insurance premium payers to the West will cause the GDR social insurance system a loss in revenue. Herbert Mrotzeck, director of the Social Insurance of Workers and Salaried Employees of the GDR, recently pointed out that it is still very much open to question "whether the state will still be able to come up with its approximately 50 percent share of the health care costs in 1991."

Even once the health insurance system east of the Elbe river has been established after the model of the FRG, it will not be possible to operate without "financial priming" from the FRG budget. Just the "basic investments" in the ailing GDR health care system, Manfred Steinbach, a member of the health ministry in Bonn, has figured out, will require roughly M 10 billion. It is "amazing," the head of the Marburger Bund, Montgomery, confessed, "with how little glitter they have managed to turn in a creditable performance in the medical field in the past." There are only 5,000 medications (compared to 150,000 in the FRG), all drearily packaged; fashionable gimmickry such as ozone therapy or soft lasers are forbidden; nowhere is the patient treated like the customer who is always right, who is fed illusions in return for his money—yet, since the political turning point, being restricted to the essential services has irked GDR patients and doctors alike. Both have visions of the high-gloss medical science of the West in the future.

And yet, the coordination between ambulatory and clinical health care was better in the GDR than in the FRG. Company doctors in the East, at least on paper, could watch over the health of their patients with greater autonomy and more critically than their West German counterparts, who are paid by their firm.

The network of patient counseling services of all kinds remains exemplary—except that the person seeking advice must often sit for hours on a hard chair before a disillusioned female doctor (70 percent of GDR general

practitioners are females, compared to 24 percent of all doctors in the FRG) grumpily takes care of him.

All things considered, the experts from both East and West Germany agree, state control of the health care system was a failure. Polyclinics and outpatient clinics, so GDR health policy experts demand, are to continue operating under state control and with employed doctors only until the completion of a transitional phase, at which time they could be taken over by the doctors or, if desired, by communities and companies.

It is presumed that 7,000 of the total of 20,431 GDR doctors working in the ambulatory field will wish to establish their own practice. The first to accomplish this have been a number of former state security doctors. Future medical entrepreneurs were shocked by reports in late March to the effect that financially solvent competition was on the way: hundreds of their colleagues in the West had applied for approval to establish practices within the territory of the GDR.

Health policymakers in the GDR, supported by the Federal Union of Health Insurance Doctors [Kassenärztliche Bundesvereinigung—KBV] in Cologne, have meanwhile put a stop to the imminent sellout to the Intershop physicians; the German-German licensing brakemen want the right to establish a practice in the GDR to be limited initially to GDR doctors.

The first offshoots of the Federal Union of Health Insurance Doctors have already been founded ("Mecklenburg-Western Pomerania"). Their declared goal is an "expeditious takeover" of the West German fees code, but "with a much lower point evaluation initially" than in the West—approximately half the fee per physician service; this distinction in the fee structure will last only until 1995, when fees will become uniform.

But already now GDR doctors are not safe from the profit vultures of the West German medical system. The assumption of financing costs is being offered to GDR doctors wishing to set up their own practices—with the financial backer then getting a share of the practice's turnover for many years.

West German dentists, for example, thus read a tempting ad in the journal ZAHNARZT-WOCHE, were encouraged to invest up to M 100,000 in a "Support KG." Their willingness to take a chance would be worthwhile for the clever partners from the West, for "especially in the field of dental prosthetics, excellent economic prospects" were offered in the East. A case of "dental colonialism," in the opinion of dentist Till Ropers of Hamburg: the guild brothers "get a cut of the profit on every GDR crown." (The plan was put on ice after the directorate of the professional organization in Cologne intervened.)

Still being plugged up at this time are the biggest holes in the GDR supply system. Medical supplies, medications, and equipment worth M 500 million are to be delivered by the end of the year to clinics and distribution points in the GDR as part of an assistance program of the FRG Government.

The fact that in recent months a "total collapse" of the GDR health care system has been averted, CDU [Christian Democratic Union] member of parliament Paul Hoffacker claimed recently, can be scored as a success for the determined assistance by the West. Once again, the wrong people are patting themselves on the back. It is the stamina alone of the nurses and doctors in the East that can be credited with keeping the GDR medical system alive.

For the time being, only emergency aid is being given—and this will probably continue for the foreseeable future. The experts expect a long drought period. Until the time comes when the medical field in the other half of Germany reaches the level of the West, ministry official Steinbach in Bonn feels that "10 more years will surely pass."

### HUNGARY

#### **Committee Proposes To Nationalize MSZP-Owned County Publishers**

25000739F Budapest NEPSZABADSAG in Hungarian  
25 May 90 p 5

[Unattributed report]

[Text] The National Assembly Committee on Culture, Education, Science, Sports, Television, and the Press

met yesterday afternoon to discuss the functioning of daily county newspapers under the new system. The recommendation developed by the committee consists of two parts. One part dealt with the county newspaper publishing enterprises still owned by the Hungarian Socialist Party [MSZP]. It would be appropriate to nationalize these enterprises, or to place them under state supervision. The committee asked the justice minister to make decisions that are consistent with this proposal. The new law should authorize the government to think through the possibilities of operating state property [as published]. The most appropriate form would be a stock corporation, it was said at the meeting.

As recommended by representatives of the Hungarian Democratic Forum [MDF] and the Association of Young Democrats [FIDESZ], the committee agreed to an amendment according to which a curatorship formed of the six parties should invite competitive applications to fill the positions of editors in chief. The applications would be judged by the curatorship, and the new editors in chief of the newspapers would be appointed after taking into consideration the views of the editorial offices, and with their agreement.

Further discussions will be held in regard to this proposal on Tuesday.

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